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## MEETING THE CAPACITY DEVELOPMENT CHALLENGE: LESSONS FOR IMPROVING TECHNICAL COOPERATION

The six country studies in this volume (Chapters 1-6) were conducted as part of a new review of technical cooperation (TC), almost 10 years after an earlier effort at reform.<sup>2</sup> They are an attempt to provide insight and evidence, based on actual country experience, for how TC can more effectively support national capacity development.

Case study research is critical for grounding reform proposals. The countries studied — Bangladesh, Bolivia, Egypt, the Kyrgyz Republic, the Philippines and Uganda — represent a broad, though certainly not exhaustive, range of TC and capacity development experience.<sup>3</sup>

The studies were based mainly on in-depth interviews with informants involved in TC from government, donor agencies and other organisations. The research teams, based primarily in universities or research and policy analysis institutions in the countries studied, also utilised donor and government reports, secondary literature and quantitative data. In some countries, workshops brought together various stakeholders and provided insights, feedback and a forum for discussion.

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<sup>2</sup> Berg, Elliot and the United Nations Development Programme: *Rethinking Technical Cooperation: Reforms for Capacity Building in Africa*. See bibliography.

<sup>3</sup> The six countries were selected to represent wide regional diversity and variation in level of income per capita. All are aid recipients, but with varying degrees of aid dependence. The set consciously excluded countries with extremely high levels of civil conflict. Other considerations included feasibility of carrying out the research, potential value-added, and the potential impact of the study in the country.



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This chapter synthesizes key findings, with particular attention to the context for, and patterns of TC during the 1990s; its contributions to capacity; trends in donor practices and government management of TC; issues around personnel and working with existing institutions; and pressures for and against change.<sup>4</sup>

Several themes run throughout the studies:

- significant and increasing diversity among partner countries in the challenges for TC and how it is carried out;
- the importance of giving national priorities centre stage;
- the critical role of national TC management;
- the constraining role of weak institutions;
- the importance of using local expertise;
- the importance of mainstreaming TC and capacity development into partner countries' institutions.

### Context during the 1990s

Whereas the critique of TC at the beginning of the 1990s was not just a reflection on the preceding decade, it was undoubtedly affected by the experience of the 1980s — an extremely difficult period for many developing countries, and one where the combination of economic crisis, greatly reduced resources, and dramatic changes in policy direction put capacity under stress. In many countries, existing capacity was challenged and sometimes seriously reduced. At the same time, there was a demand for new kinds of capacity, in government and in society more generally. Resource constraints and difficult economic and political conditions were not conducive to building capacity, however, and against such a backdrop, TC was similarly limited in its ability to contribute to strengthening capacity.

The 1990s provided a somewhat different context. Five out of the six countries studied experienced sustained economic growth throughout the decade. The Kyrgyz Republic, which had become independent only in 1991, experienced a 45% decline in its economy during the first half of the 1990s, as it began the transition from the Soviet command economy to a market system. By mid-decade, the trend was reversed and economic growth soared, at least for the period under consideration. Bolivia entered a serious recession as the 1990s came to a close, a change from its performance during most of the decade.

Despite the generally good economic performance, per capita economic growth rates were fairly low in almost all the countries. This was not a period of fast, transformative growth like that experienced in East Asia until recent years, although for

<sup>4</sup> Information on the countries for this chapter is drawn from Balihuta et al (2002); Cukrowski et al (2002); El-Refaie et al (2002); Gray Molina and Chávez (2002), Illo et al (2002), and Sobhan et al (2002). A shorter version of each is included in this volume, Chapters 1-6.

most of the countries it did represent an important turnaround from poor economic conditions, even crisis. Furthermore, resource constraints continued to plague the countries, and several continued to suffer from high levels of external debt that further limited resources. Conditions for capacity development were better than earlier, but still less than ideal.

The other notable characteristic of the decade was its continuation as a reform period, with an emphasis at the structural and institutional levels. Each of the six countries were carrying out reforms of various types. For some, the first generation stabilization reforms begun in the mid-1980s had already taken hold; the emphasis during the 1990s had shifted to structural reforms, and then to broader institutional reforms as the decade wore on. That pattern applied to Bolivia, Uganda and Bangladesh. Egypt and the Kyrgyz Republic both carried out a combination of stabilization and structural reforms during the 1990s. Egypt started in 1991, while the Kyrgyz Republic got serious about its reforms following the post-independence economic crisis, around 1995.

In the Philippines, the 1990s continued to be more about political reform and the consolidation of democracy than about the economy, though there was an effort during most of the decade to liberalize and make the economy more competitive. Indeed, like the Philippines, political reform and democratic consolidation were also on the agenda in several other countries, such as Bolivia, Uganda, and the Kyrgyz Republic, where democratic transitions had occurred not too many years earlier.

The fact that the 1990s was a decade of reform is significant for understanding TC. Although TC is often discussed separately from other policy trends, it is in reality strongly shaped by the priorities and concerns of the time. In the 1990s, those concerns were structural and institutional reforms. Whether in terms of money, emphasis or enthusiasm, much of the TC during this period was aimed at supporting reform efforts.

The increasing emphasis on institutional reform came along at roughly the same time as a new understanding of capacity development gained currency. This new understanding of capacity development went beyond human resource and organisational development to encompass larger institutional and societal frameworks. That amounted to a dovetailing, perhaps for the first time, of the direction of the larger reform programmes, on one hand, and priorities for capacity development on the other.

## **Trends in Technical Cooperation**

The country studies attempted to document quantitative levels and patterns in TC during the 1990s. Several general observations can be made about trends in the six countries.

First, there is considerable variation in trends. Global data on official development assistance (ODA) and TC show that overall flows of ODA decreased during the 1990s,

and that TC fell or stagnated starting about 1994, with poor countries and Sub-Saharan Africa especially experiencing declines. (A summary review of that data can be found in the Annex to this volume.) The data from individual countries studied here, however, make clear that macro-level trends only partially capture what is happening with TC, and that many countries' experiences may be quite different from the overall picture.

With regard to trends in development assistance generally, ODA has fallen in relation to economic indicators — GNP, revenue and exports — in Bangladesh, Egypt and the Philippines. In contrast, ODA levels have actually increased over the decade in the Kyrgyz Republic, Uganda and Bolivia (with some reduction at the very end of the decade in Bolivia).

Patterns in TC have been somewhat similar. Technical cooperation flows fell in Bangladesh and Egypt, but they rose in Bolivia, the Kyrgyz Republic and Uganda, whether measured in dollars or as a percentage of GNP or revenue.<sup>5</sup> The Philippines experienced an increase through the mid-1990s, after which TC declined.<sup>6</sup>

Second, for some countries, TC represents a substantial proportion of resources available for development. This is especially true in the countries where TC has been on the rise. By 1999, TC accounted for over 2% of GDP for Bolivia and the Kyrgyz Republic, and 5% of GDP for Uganda. In the Kyrgyz Republic, TC in that year equaled more than 18% of government revenue and 6% of exports. For Uganda, the levels were even higher, at 27% of revenue and 65% of exports.

For other countries, the figures are lower. For example, TC in Egypt averaged 1.4% of GDP and 5% of revenue. In the Philippines, TC represented only 0.3% of GDP and 1.3% of the budget, for 1992-98. Technical cooperation in Bangladesh accounted for only 0.6% of GNP.

Third, in several countries, TC rose as a percentage of ODA during the 1990s, and is therefore an increasingly important part of the aid picture (see Table 1). This is the case in Bolivia and Uganda, but also in Egypt, where TC has fallen less than overall ODA. In the Philippines, the TC/ODA ratio increased to a high of 16.6% in 1996 and then fell back somewhat, but not to the level at the beginning of the 1990s. In Bangladesh and the Kyrgyz Republic, it is difficult to ascertain a clear trend, since the proportions have fluctuated.

Fourth, there is also considerable variation in the degree to which sources of TC funds are concentrated or diversified, and the type of donor. Egypt is the most highly concentrated, with 76% coming from the United States. For Uganda, the World Bank (IDA) is by far the largest source, accounting for 29%, while the next largest donor (the United States) provides about 16%. The Kyrgyz Republic and the Philippines both have

<sup>5</sup> In Bolivia, TC rose in dollar terms. As a % of GNP, it rose and then fell somewhat, but not back to the levels of the early 1990s

<sup>6</sup> All the data here need to be handled with caution. TC data overall are problematic, scarce and almost always partial; and there are conceptual problems related to how TC is defined and what is included. Furthermore, data from the different country studies are compiled from different sources that most likely are not entirely comparable. Therefore, they should not be assumed to be very accurate nor to provide very precise comparisons, but only to be indicative of general levels and trends.

**TABLE 1, OVERVIEW: TECHNICAL COOPERATION (TC) AS A PROPORTION OF ODA (%)**

Country	TC/ODA, 1990s average	TC/ODA, 1999	TC/ODA High (year)
Bangladesh	11.4	8.933.	19.0 (1992)
Bolivia	28.0	848.626.0 8.2*	33.8 (1999)
Egypt	28.3	59.8	48.6 (1999)
Kyrgyz Republic	38.0		88.3 (1992)
Philippines	9.6		16.6 (1996)
Uganda	45.1		72.6 (1998)

Source: Data provided in country studies, and OECD/DAC data.

\*1998

many TC partners, but three in each country dominate: for Kyrgyzstan, the main providers are Germany, the Soros Foundation and Turkey; and for the Philippines, they are Australia, the European Union and the UNDP. Bolivia has a multiplicity of donors, bilateral, multilateral and non-governmental, but the United States, Germany, Japan and the World Bank play the largest roles.

Different patterns create different challenges. Countries dealing with a multiplicity of sources face the problems of fragmentation and competition among donors, and the need to find effective means of coordination. For countries dependent on single or very dominant partners, the issue is likely to be more one of the relative weight of the donor's priorities compared with those of the partner country, as well as the characteristics and procedural requirements of individual donors. Most countries have a mix of these challenges, but their relative importance varies. For instance, Bolivia's challenge is above all one of coordination and management, while in Egypt, the need for coordination, while present, is minor compared to the challenge of dealing with USAID's priorities and programmes. Uganda has a mixture of both. Whatever the challenges, they will be magnified if TC represents a large proportion of resources. Thus, in the Philippines, TC plays a smaller role and can be handled more easily than in most of the other countries.

Finally, across these countries there has been a move toward education and health as major sectors for TC (especially strong in Kyrgyzstan, the Philippines and Uganda), but also a strong showing for public service/public administration (Bangladesh, Kyrgyzstan and Uganda). In a number of countries, there has been a shift away from agriculture and rural development. In Egypt, agriculture received most support in the early 1990s, but was later replaced by support for private sector development; Egypt was the only country in which the private sector was a major focus. The trend toward greater emphasis on education and health is not surprising, given the current emphasis in the development community on poverty alleviation. The support for public administration also reflects the new emphasis on institutional

reform, including that of the civil service and the judiciary, which has characterized the latter half of the 1990s.

## TC's Contributions to Capacity Development

The country studies credit TC for playing a role in developing some of the capacities that currently exist in the countries. For example, historically, support for scholarships and universities in Uganda helped to create a base of well-educated professionals, many of whom now are leaders in the government, private sector and institutions of higher education in the country. During the past decade, in the Kyrgyz Republic, TC played a substantial role in helping to develop new institutions for a market economy and a democratic government, and in training and acculturating the group of professionals needed to run those institutions. It also contributed to strengthening higher education in the country, through supporting new institutions and helping to modernize teaching methods and curriculum in existing public institutions.

Reform programmes in Bolivia, including those essential to strengthening national capacity such as education reform and popular participation, were supported largely through TC. The blossoming of civil society and NGOs in the Philippines, while certainly not brought about by donors, was supported by their encouragement of participatory processes and institutions, and their openness to working with NGOs.

But these studies, like earlier ones, also found that TC has often failed to strengthen capacity, especially when considered in light of the amounts that have been invested in TC over the years. Three major reasons for disappointing results were highlighted by the studies, and will be discussed in following sections:

- institutional weaknesses in the recipient country;
- continuing TC practices that are not conducive to capacity development, although there are some promising changes, as well; and
- the failure to mainstream capacity development.

As emphasized in Chapter 1, a country's capacity is first and foremost a result of its own history and social, economic, cultural and political processes, as well as engagement with countries and forces beyond its borders. Its development involves the creation, maintenance and upgrading of fundamental human and social capital. Technical cooperation's potential and actual contributions to capacity development should be viewed in that light. Weak capacity is not necessarily the fault of failed TC, and strong capacity will in most cases not be attributable in great degree to the successes of TC. Yet TC can and should be expected to contribute positively to existing capacity, and to interact constructively to support the larger forces that can transform a country's capacity.

<sup>4</sup> There have been many exponents of gap-filling, among which Rostow (1960) and Chenery and Strout (1966).

## The Importance of the Institutional Context

Poor institutional contexts in recipient countries — particularly adverse conditions in public administration, along with corruption — are a major factor in shaping and constraining the ability of TC (as well as that of domestic resources) to contribute to capacity development. These were repeatedly noted as reasons for frequent failure of efforts at the individual and organisational levels, such as training and the provision of advisers, to have the intended impact. They also reduce the likelihood of fundamental TC reform.

In all the countries studied, certain characteristics and conditions in the civil service and in the public administration more generally, represent capacity weaknesses and act as constraints on capacity development. With the partial exception of the Philippines, low public sector salaries hinder retention of qualified people and hurt morale.<sup>7</sup> Patronage systems prevail in most countries (including the Philippines) and politicization of positions mean frequent turnover of large segments of the public service with any change of government (e.g., Bolivia and the Philippines). Lack of continuity and patronage-based recruitment systems and organisational cultures are extremely difficult environments for capacity development. Bangladesh, with a highly institutionalised civil service, ironically suffers from some of the same problems. Frequent rotation without regard to expertise leads to a similar lack of continuity, and promotions based on seniority rather than performance serve as disincentives for either individual or organisational capacity development.

Corruption is also a problem in most, if not all, of the countries studied. High levels of corruption, along with weak public sector institutions, feed donors' doubts about whether funds will be used responsibly — an important factor behind donors' reluctance to cede control of TC. Improvement in these basic institutional frameworks is critical for more effective government, for TC (and other investments) that can have a real impact on capacity development, and for an environment that will enable fundamental change in TC itself.

## Continuity and Change in Donor TC Practices

The UNDP-sponsored 1993 review of TC criticized many donor practices for hindering capacity development.<sup>8</sup> One of the questions the country studies set out to answer was whether, and the extent to which, those practices still characterize TC. They found a mixed picture.

### Continuity

There was evidence in all the country studies that many TC practices not supportive of capacity development persist. Many donors — especially but not only bilateral donors

<sup>7</sup> Despite general public sector salary increases, the Philippines still has the problem at senior levels, where salaries are not competitive with the private sector and there are difficulties attracting and keeping the best people.

<sup>8</sup> Berg, Elliot and the United Nations Development Programme: *Rethinking Technical Cooperation: Reforms for Capacity Building in Africa*. See bibliography.

— still prefer to have their assistance carried out through individual projects, often reflecting their own priorities. Projects still tend to have quite short timeframes, limiting their ability to contribute effectively to longer-term processes of institutional change. Although some donors have moved away from requiring procurement of their own equipment and experts, others have not: continued tying of aid and lack of transparency about costs lead to inefficiencies and waste. Lack of coordination among donors and the resulting multiplicity of projects and accounting systems place unmanageable burdens on already weak government ministries. Project implementation that bypasses normal institutions in favor of separate units misses opportunities for capacity development in core institutions, further increases fragmentation and distorts incentives.

### Change

But there have also been significant changes in the direction of greater partnership and consultation in setting priorities, more focusing of TC efforts in line with national priorities, and processes of dialogue that extend participation to groups outside the government. Multilaterals have been in the lead in encouraging such changes, and TC is increasingly linked to comprehensive development frameworks, poverty reduction strategies, national dialogues, and other development consultations and strategies. Uganda and Bolivia provide particularly good examples of these promising changes.

Even in the absence of broad strategies, many donors have been trying to move toward programme and sector-wide approaches (SWApS), at least as an umbrella for fitting otherwise discrete projects into a more coherent framework. Increasing use of programme and SWApS was reported in all the countries, particularly evident in health and education. Donor efforts to coordinate their activities were also reported. And there is evidence of donors working more with NGOs and lower levels of government, with the Philippines being notable for the prevalence of such cooperation. In Bolivia, there is an increasing effort to shift TC to the municipal and provincial levels, where it is needed to support capacity development in the context of the country's popular participation and decentralization reforms.

These are very recent shifts, and the jury will still be out for some time on whether they will really change the dynamics of TC. While they do not, at least at this point, represent fully participatory or nationally-led processes, they are also quite different from the traditionally piecemeal nature of TC.

Nevertheless, the Bolivian experience suggests that it is wise to be cautious in assuming that these new approaches will automatically solve all the problems with TC. Despite Bolivia's being in many ways a test case for strategy- and dialogue-led TC, the process and indeed development choices more generally remain donor-driven. The Bolivia study found that the National Dialogue and the poverty reduction strategy processes, combined with donor efforts at self-coordination, have actually increased the weight of the donors in government policy making and decisions about use of resources. The problem stems quite simply from the extreme asymmetry between the donors, with their resources, ideas and technical expertise, and the much weaker Bolivian state, which the new approaches to TC do not change.



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One strand of thinking about improving TC emphasizes the need for coordination among donors, standardization of their processes and requirements, and harmonization of their goals. The evidence from the country studies suggest that these may be helpful in reducing some of the problems of fragmentation, competition, and the heavy administrative burden associated with donor funding that strain or even overwhelm partner country institutions. But they do not stand out as central or as complete solutions in themselves. Donor self-coordination and harmonization can make a significant difference only if they are carried out around locally determined and accepted goals and priorities, rather than around donor goals. When there is a divergence between what the donors are trying to do and what the government of the recipient country has determined, through its own processes, to be the priorities, TC is unlikely to have a lasting impact on capacity.

The Bolivian experience noted above also suggests the importance of donor restraint. There needs to be space for countries to define their own goals, priorities and processes. In their enthusiasm, well-intentioned donors may fail to allow that space. They are likely to have better results in capacity development if they stand back, let countries come to terms with their own challenges and how they want to deal with them, and then lend support in that context.

### **Growing diversity**

The country studies show that it is increasingly difficult to generalize about how TC is practiced, because there are significant and increasing differences among recipient countries that shape their TC relationships. One major difference is between countries where the governments have asserted themselves and have taken the lead in shaping and managing TC, and those where TC continues to be much more donor-driven. In the former — the Philippines and Uganda, especially — the relationship is much more one of constructive partnership between the donors and the recipient country than elsewhere. In some others, especially Egypt but to some extent the Kyrgyz Republic as well, TC still looks more like it did in the past.

Another key difference is in the existing level of human and social capital in the recipient country. In a country like the Philippines — with a highly educated population, a vibrant university and research sector, a large supply of well-qualified professionals, and an extensive and active NGO community — TC can draw heavily on local sources of knowledge and expertise, and it can build on cooperation well beyond the central government. The Kyrgyz Republic, also with a high education level and a growing local capacity to provide professional, research and analytic services, is another example of real strength that TC can utilize. In contrast, in countries with much lower levels of education overall and smaller pools of highly qualified professional and technical personnel, it will be harder to reorient TC as fully. In short, variation in existing levels of capacity helps shape opportunities and constraints for TC reform.



### **Innovations in donor practices**

The moves toward strategy-led TC, programme and sector-wide approaches, and emphasis on dialogue — both between donors and governments but also more broadly within countries — are innovations that are being tried by various donors and in collaboration with various partner countries. In addition to these fairly large-scale changes, a number of other innovations were reported in the country studies.

One set of innovations has to do with trying to increase the voice of NGOs and other domestic groups in donor projects and programmes. In the Philippines, where this has gone the furthest, some donors have created steering, advisory or management committees for specific projects to involve NGOs in project management. This gives them a role in decisions about use of TC, selection of consultants and other project needs, broadens accountability and makes TC more responsive to community needs.

In Egypt as well, there have been efforts to make sure that decisions about the use of TC fit local needs. The UNDP formed a “think-tank” of leading intellectuals to provide input into the country programme, and a committee of donors invited the National Women’s Association to be a member of the committee.

Also, in some countries, including the Philippines and Bangladesh, donors have engaged in joint programming where funding needs are large along with their individual projects.

Donors have introduced some interesting and valuable capacity development initiatives in the Kyrgyz Republic that were carried out on a regional basis, rather than just for the single country. Shared contexts and needs within the Central Asian region and Kyrgyzstan’s small size made it appropriate to aim some research training opportunities at the regional level — an innovative and flexible response to the needs of the country and region.

### **Partner Government Management of TC**

The country studies’ evidence suggests that there has been substantial change in the direction of more and better management on the part of the partner countries. It also indicates that this is an important trend and that more assertive and effective national management is essential to meaningful change in TC. As noted earlier, there is a striking difference between those countries in which the governments have asserted control over TC (and aid more generally) and those in which the donors operate freely, according to their own priorities. In Uganda and the Philippines, examples of the former, there is much greater ownership and also greater transparency regarding donor processes and use of funds. Furthermore, some of the most interesting and important innovations are found with reference to national management of TC.

In several countries, including the Philippines, Uganda, and Bolivia, there is a clearly stated government policy that all aid, including TC, is to be utilized in line with

national priorities and policies. In some others, that clear statement of policy about TC is still missing. All the countries have put in place some kind of mechanism to manage TC, or aid generally. While in some cases there has been some kind of management structure in the past, often those have not been effective. In some countries, the recognition that managing aid was important came only at the end of the 1990s; for others, it was a longer step-wise process of improving systems.

There is also considerable difference in how effective they are. Uganda, the Philippines, and Bolivia all have instituted relatively strong systems of TC/aid management; Bangladesh also works to get donors to support the national development plan through normal planning and budget allocation mechanisms.

Setting up an agency or unit within a central ministry that coordinates aid and integrates it with the national development planning process is a first step, but is not sufficient. The structure has to be credible, actively used for aid management, and closely linked with the institutions for economic development decision-making and resource allocation. A number of countries, including Egypt and the Kyrgyz Republic, have such structures but have not used them effectively in the past. Recent efforts in the latter to reorganise aid management and tie it more closely to central development decision-making may make it more effective in the future. In Egypt, the role of the Ministry of International Cooperation is seen more in terms of negotiating agreements than of asserting national direction over TC's purposes and allocation.

The cases of Uganda and the Philippines, in particular, provide evidence that when governments have insisted on, and set up workable systems for TC management, donors have responded (although to varying degrees) to the changed framework for the relationship. In Uganda, some donors work fully within the system and now provide their TC as budgetary support; others continue to fund their own projects. But the study notes that even those donors who handle their funds separately increasingly do so in line with Ugandan priorities and that transparency of their projects and use of funds has also improved. In the Philippines, the donor-government relationship has evolved into much more of a partnership, with extensive, regular and institutionalized processes of consultation, and a high comfort level on both sides with the priorities, the process and the resulting allocation.

### **Managing TC Effectively**

The cases provide examples of two approaches to national management. The first involves asking donors to provide TC as budgetary support, and to allow it to be fully integrated into the country's public investment and budget allocation processes, just as if it were a resource of domestic origin. Bangladesh and Uganda have followed this approach. The second is to use a framework that handles TC separately from other resources but closely linked to them, uses nationally-defined priorities and goals as the basis for accepting or rejecting projects, analyzes projects as fully as possible in terms of their costs and benefits, and monitors and evaluates them. The Philippines and Bolivia have primarily used this approach. Various combinations of these approaches are possible.

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What is important in both approaches is that they insert a level of national decision making processes, and national development goals and priorities, between donors and their preferred projects and programmes, thereby reducing the donors' discretion in funding projects. At the same time, they also allow rationalization on the country's side by evaluating, prioritizing and coordinating demands for support from government ministries, agencies and different levels of government. The agency becomes a pivotal point for both the government and the donors.

At this point, it seems unlikely that a fully budgetary approach alone can be sufficient, because not all donors are willing to provide budgetary support. Unless the country is willing to reject all TC that does not come in as budgetary support — which is unlikely — the budgetary approach needs to be supplemented by a clear system for decision-making with regard to other projects. The system will otherwise be limited in its coverage and effectiveness; donors can simply ignore it if they prefer. The experience of the health sector in Bangladesh illustrates this well. Bangladesh asks that donor funds for health be provided as budgetary support for a sector-wide umbrella programme under the development plan and budget. About half of total assistance and a third of TC is given as pooled, budgetary support for the programme. But that leaves the other half of ODA and two-thirds of TC under bilateral, donor-driven projects, with apparently little coordination and limited information available about how much money is being spent and on what. A clear, institutionalized system for vetting and monitoring those projects would be a big step forward.

Building in some flexibility to deal with different donors' TC practices and policies is clearly essential; such flexibility is evident in all the countries' TC management. Whereas Uganda and the Philippines have asserted their TC framework more strongly, they still accommodate a range of donor approaches. In an important innovation, Uganda's budgeting system has mechanisms to compensate for donor funds that go directly to lower levels of government or particular ministries, to avoid the skewing of allocations as a result of donor projects outside the framework of the Poverty Eradication Action Plan and sectoral programmes. This is helpful in ensuring equity of resources among regions and ministries, and keeping overall allocation in line with government priorities.

Lack of adequate and independent data was cited as a limitation on effective aid management in the Kyrgyz Republic and Egypt, and it seems likely that that is typical. The experience of carrying out the country research confirmed the weakness and absence of data. What were available were often of poor or uneven quality, and for many aspects of TC, little or no data existed. In many countries, the UNDP was the main source. The richest data was available in Uganda, one of the countries where these issues have been on the agenda, but even there it was limited in coverage and problematic.<sup>9</sup>

**Innovations in national TC management**

Having the capability to monitor performance of projects is essential to making the framework effective; yet this is one of the pieces almost always missing from attempts

<sup>9</sup> Overall, the absence or unreliability of data limited the ability to ascertain or investigate trends and patterns and to carry out cross-national analysis of the data.

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at management of TC. The Philippine government's system for monitoring implementation through annual reviews of project portfolios is an important innovation. The national development planning agency (NEDA) and the Department of Budget Management meet with project management to review individual projects, and an annual review report is submitted to the NEDA board that oversees TC, including recommendations for improving implementation. In addition, the Philippines involves NGOs in monitoring projects, broadening accountability and responsiveness.

Bolivia has also been innovative in its relationship with donors. Against a history of freewheeling donors and non-existent country management of TC, Bolivia has recently been working to develop a framework that will allow it to coordinate and utilize TC (and ODA generally) more effectively. A major challenge was the sheer number of donors and the amount of time that went into dealing with each of them. The solution was to quit meeting with each donor individually, but instead to provide the same information to all the donors at once. Competition and sensitivities between large and small donors, multilateral and bilateral, were dealt with by setting up joint committees to plan and design projects and programmes, even including donors not involved in funding a particular effort.

Bolivia has also had to be innovative to meet the challenges for TC management posed by decentralization. The country is trying to redirect TC to the municipal level, where key decisions about investment for development are increasingly being made, and where capacity development is a critical need. Yet many municipalities have barely enough capacity to identify needs and formulate investment plans and programmes to allow TC or other investment to be effective. The national TC management unit — the Vice Ministry of Public Investments and External Financing — is collecting TC demands from the municipalities and coordinating the relationship between them and the donors. The Vice Ministry integrates the process with other public investment decisions, and works with the municipalities to develop the capacities needed to make rational resource allocation decisions, and to use TC effectively.

Uganda's system of adjusting the budget to compensate for donor projects at lower levels of government to keep the allocation in line with what was intended by the government, is another important innovation that helps that country to deal with the challenges of decentralization.

These examples of frameworks and innovations indicate that while some elements may be common across countries, each country will need to develop ways of managing TC and working with donors that fit the particular challenges and situation in that country.

### **TC Personnel: The Question of Expertise**

Personnel and hiring are among the most contentious and thorny issues in TC. Because TC has to do with knowledge and its sharing in various forms, people are central. It is also around this issue that some of the strongest vested interests gather. The



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traditional use of expatriate personnel is one of the most protected, but also the most strongly criticized and politicized issues in TC.

The country studies shed some light on this issue. First, they show that it is very complex and that black-and-white solutions — such as doing away with expatriate advisers altogether, or using only short-term and not long-term personnel — are not likely to be appropriate. There are situations in which even countries with the most highly developed human capital bases will need expertise that they do not have. As the Philippines report noted, expatriate advisers are appreciated when they bring knowledge and skills that are really needed. In Kyrgyzstan, during the first few years after independence, western advisers played a critical role in bringing new ideas and approaches, but in the second half of the decade, as local experts began to return with new training, there was less need for expatriates. Highly qualified experts who speak Russian fluently and who have the technical expertise to fill specific needs are still greatly valued, but on a much more selective basis than before.

Furthermore, the time frame of tasks and the particular combination of requirements for technical skills and understanding of the local situation will vary. Different situations call for different solutions.

Nevertheless, the studies point to some serious problems with actual practice. They report that expatriates who do not know the language and cannot communicate (Kyrgyz Republic) and those who are not adequately qualified and use consultancies for on-the-job training for themselves (Uganda) continue to be supplied, even when appropriately qualified local professionals are available. Expatriate advisers are expensive relative to other forms of technical assistance, and donors tend not to be open about those costs. There are real issues of lack of transparency, which protects donors from pressures for greater efficiency in resource use. In most cases, it seems clear that if recipient countries have greater control over how resources are used, there will be less utilization of expatriates, as Uganda has demonstrated.

Although there was limited data on personnel in the country studies, what there was suggests that there has been a reduction in recent years in the number of expatriate advisers provided through TC, but that it is nevertheless still one of the ways in which TC is carried out. Furthermore, Kyrgyzstan, the Philippines and Bangladesh reports all noted a recent trend of some donors contracting out more TC to their own country's consulting firms, and managing less in-house. The papers suggest that that shift may be leading to an increased reliance on expatriate consultants.

In several countries, there has been evolution toward greater use of local expertise, but with limits. Local professionals are now contracted to do most of the training in Kyrgyz Republic. In the Philippines, local researchers carry out much of the research and analysis, but are rarely given the opportunity to serve as team leaders. In Uganda, earlier programmes in education and training of ministry staff (such as in economic policy and civil service reform) have reduced the need for consultants, whether expatriate or local; when needed, local professionals are increasingly hired. In most cases,

however, the studies indicated that local expertise is under-utilized, including in countries where there is substantial and evident capacity, including the Philippines, the Kyrgyz Republic and Bangladesh. In Egypt, there seems to be the least effort to use local consultants.

A strong and active research, analysis, education and consulting base is an essential component of capacity and is necessary if a country is to be able to move away from excessive dependence on external expertise. The difference in the nature of TC and the TC relationship between the Philippines, where such institutions are strong and thriving, and other countries studied, confirms the importance of strengthening the higher education, research and consulting sector for transforming TC. In the Kyrgyz Republic, support for this sector has helped shift TC away from almost complete dependence on expatriates to a greater reliance on local expertise and a changing TC relationship.

As other alternatives to expatriates from the North, South-South (or East-East) TC was reported to have had good results and to be cost-effective. In addition, the Bangladesh study called attention to the use of consultants who were from Bangladesh but working abroad, and identified that as a way to get a combination of international-level qualifications and knowledge of the local environment, as well as to tap into a potentially valuable source of (partially-local) capacity for the country's development.

## **Mainstreaming Capacity Development**

Even when efforts to develop capacity have been successful in a narrow sense (as in developing the capacity within a project to carry out its work and achieve the desired results), often that capacity is neither sustained nor translated into meaningful capacity in existing organisations. This is partly because capacity development often is not “mainstreamed,” but is kept parallel and apart. The issue of mainstreaming has two different components, the first related to organisations (such as government ministries) directly involved in TC project and programmes, the second to the country's institutions (such as universities), whose purpose it is to build human capital and provide knowledge services.

### **Mainstreaming TC in implementing organisations**

The first component has received more attention in discussions of capacity development. There are myriad examples of the ways in which TC has kept itself and its capacity development efforts distinct — project management units that separate the project administratively from the regular institutions are perhaps the main example. While they have been widely criticized and there seems to be movement away from them, they are mentioned repeatedly in the country studies, and it is clear that they are still very much a part of how TC operates. Another form is to create new organisational units. In Egypt, for example, a project created a separate policy analysis unit in the Ministry of Finance, rather than strengthening and reorienting an advisory unit that was already there. In general, the very idea of the TC project, as something financed





and carried out separately from regular government programmes, also contributes to the apartness.

While all the country studies noted similar patterns, Bolivia is the most extreme example. Consultants (external and local) have been used so extensively and have become such an integral part of policy-making that a complete parallel structure has developed, separate from the official bureaucracy, paid for by donors and with higher remuneration than government positions. It dominates the policy process at the analysis and formulation stages, while the “regular” bureaucracy is expected to implement the policies and programmes. Meanwhile, the official state organisations have continued to be governed by a political patronage system and have remained weak and ineffective. Short-run project goals may be served, and the administration’s role in the patronage system may have helped to maintain political stability in a weak democracy where no one party has a broad enough base to govern alone. Nevertheless, this TC-linked bifurcation has not contributed to the strengthening of the government’s capacity.

The Philippines study noted the presence of project management units that were organic to the implementing institution — that is, led by the head of the ministry or other unit and staffed at least partly by the regular staff. Salaries for consultants who were brought in were the same as for regular staff, and the latter also just received their normal salaries. Projects run in this way were more likely to contribute to capacity in the larger organisation and to be sustainable, although the study did note the tradeoff between time and energy spent on the project and on regular responsibilities. Still, to the extent that project management units are necessary, this organic approach offers the potential of avoiding the problems of bypassing regular institutions.

Even so, thought needs to go into how to sustain capacity created within existing institutions. Bangladesh offered a pair of contrasting examples from its finance ministry: In one project, ministry staff participated in a financial management project’s technical work — an unusual occurrence in itself — and then remained posted in the ministry and were able to use what they had learned in their regular jobs. In another, ministry personnel were also tapped to participate in the project’s implementation and received training and experience, but then were transferred immediately to unrelated positions in other ministries.

In many places in the past, ineffectiveness and corruption of existing institutions have provided the rationale for donors to operate apart from them. Now, with the emphasis on institutional reform, TC needs more than ever to be a part of an integrated effort to strengthen institutions, organisations and human resources. There is some movement in that direction. To the extent that countries are able to assert their own priorities and bring TC resources into the overall budget and resource allocation process, the possibility of TC operating separately will be reduced.

### **Mainstreaming capacity development in educational and research institutions**

Second, the country studies call attention to another way in which capacity development has often not been mainstreamed, and which has limited its ability to contribute



in a fundamental and lasting way to capacity. Each country has institutions whose purpose is to build human capital within the country and to engage in research and the creation and analysis of knowledge. These institutions — universities primarily, but also research institutes and NGOs involved in research and training — have a central role to play in capacity development in their own countries. They are critical in the long-term development of the essential human capital, where they represent the sustained capacity to continue building, regenerating and updating that human capital.

The Uganda study cited the isolation of TC from the educational and research institutions in the country as a failure to mainstream TC into the existing and authentic “capacity development” institutions in the country. Instead, there has been a general tendency to treat capacity development as something that the agencies or their consultants did in connection with projects, rather than a more basic contribution to the human and social capital in the country.

There has been some support to institutions of research and higher education, most substantially in the Kyrgyz Republic, where some new universities have been created and existing ones strengthened, but also in other countries such as Bolivia. Overall however, despite the emphasis on the education sector and support in recent years to primary education specifically, attention to higher education has played a small part of TC in recent years.

## **Understanding Change, or Its Absence**

A country study perspective only gives a partial view of the obstacles to, or sources of change, but the studies did provide some insights into pressures operating at the country level. Not surprisingly, there was little direct evidence about the pressures operating on donors, although some factors were suggested. First, in the case of some donor-recipient relationships, there were strong strategic or political reasons for the donor to be involved, suggesting that there was an incentive to keep the aid flowing and less incentive to worry about how much real contribution its TC made to capacity development. United States aid to Egypt, and possibly German and Turkish involvement in the Kyrgyz Republic seem to fit this pattern. Multilateral assistance to Bolivia and Uganda, portrayed as star models of reform, may also fit. The tendency reported in several studies to view projects positively and to keep extending them, even when they were not working, is probably partly driven by that rationale.

Some donors have resisted allowing their TC to be put under a budgetary umbrella, as noted in the Bolivia, the Philippines, Uganda and Bangladesh studies. Several different but related motivations were suggested: a concern about the level of corruption or inefficiency in the country, a desire to be visible and for particular projects and results to be clearly identifiable as the donor's; and an unwillingness to allow the donor's priorities to be made subsidiary to those of the recipient country. All these are tied to concerns about accountability and support back home.



Budget constraints in recent years have also pushed several donors in the direction of cutting the size and involvement of country offices, meaning that more decisions are made in headquarters. The trend of relying more on consulting firms from the home country also distances decision making from the recipient country. Although not uniform, these trends may make it more difficult for the donor to respond to the need and demands for change at the country level.

Resistance to change does not exist only on the donor side. Technical cooperation resources have sometimes become part of patronage systems. Ministries or other organisations (whether inside or outside government) have benefited from access to TC resources; individual managers can access opportunities such as training programmes as part of the system of rewards in an organisation. This may be positive if it is tied to the organisation's needs and used constructively to strengthen the organisation. Evidence suggests that this is not often the case. As reported in the study of how TC has evolved in the Kyrgyz Republic, for instance, individuals value training opportunities for interesting trips abroad, prestige and travel allowances, and often receive them regardless of the relation of the training's content to the person's need for training or ability to utilize it. Equipment and vehicles offer other possibilities for individual benefits not necessarily connected to developing capacity. Clearly, people who benefit in these ways from TC are not going to have an interest in upsetting the cozy relationship by increasing transparency, efficiency or effectiveness, and will be likely to drag their feet if asked to make changes.

With more attention to the broader institutional level and the linking of capacity development with institutional reforms, TC reformers, whether from the donor or the recipient side, are likely to meet even stronger resistance. Reform threatens established interests and ways of doing things. It tries to find ways to limit corruption and increase transparency, and it puts patronage systems at all levels under pressure. Bureaucratic and political barriers to such changes are therefore to be expected. Analyses of civil service and other institutional reforms in the country studies suggested that TC for such reform often does run into difficulty because of lack of support or active opposition from within the institutions.

Nevertheless, there were clear instances in the countries studied where there was recognition on the part of political leaders or senior managers that change was needed. In Uganda, for example, this was evident with the assertion of a new framework for TC governance. It seems to have come from a sincere commitment to the welfare of the country, and an unwillingness to continue wasting needed resources and submerging the country's priorities.

Political commitment on the part of top leaders and expression of that commitment to donors is an important element in making the TC management framework credible and effective. Too often TC has been thought of as simply a bureaucratic matter. Yet it involves fundamentally political relationships, and change requires the exercise of political leadership. A government that wants to make sure aid is used according to its priorities has to go up against donors who would prefer to be able to

act freely, as well as against people in the bureaucracy who benefit personally or organisationally from the lack of direction and coordination. The management strategy needs to be accompanied by a political strategy to build support for change. Most important, though, are a clear message that it is the intention of the government to set priorities, manage and monitor TC, and a clear system for doing so.

The Philippines is an example of a country where bringing new groups into the TC arena has been helpful in supporting change. Non-governmental organisations have been actively brought into discussions of priorities, planning of projects and programmes, and monitoring of TC. While some NGOs depend for their survival on donor projects and may become vested interests against change, cultivating the capacity and participation of authentically community-based organisations that are concerned about development can be one way of building support for a more relevant, responsive and effective TC relationship.

## Conclusions and Key Lessons

The analysis of the country studies brings out several major points that hold lessons for improving TC for both donors and partner countries.

*The TC challenges that countries face are quite varied, as are the countries' own capacities and other characteristics.*

**Flexible and varied responses.** This diversity among countries means that it is extremely unlikely that a single blueprint for TC will meet the diversity of needs and settings. Instead, flexibility to operate in ways that respond to individual countries' conditions is essential. The transferability of 'best practices' should be viewed with caution.

**Adjustment of approach to local capacity.** Donors need to assess existing local capacities, and in countries where there is significant existing capacity, adjust their approaches to utilize and further strengthen it. In such cases, there will be more room for experimentation with approaches that reduce direct donor involvement. In countries with little capacity, donors should work to strengthen basic capacities.

*National priorities of partner countries must be put front and centre if TC is to be more effective for supporting capacity development.*

**National priorities are the key for donor harmonization.** While donor harmonization has a role to play in reducing the stresses from fragmentation, competition and administrative demands, it alone is not a solution. Donor harmonization will only result in real change if it involves donors converging around national priorities and coordinating their activities in that context.

**Importance of supporting national dialogues about development goals.** Where partner countries have not established clear goals and priorities,



donors can be helpful in supporting processes of dialogue about development goals to begin what is always going to be a prolonged and iterative process of defining goals and appropriate ways of going about meeting them.

**Allowing space for national processes to work.** But it is also important that donors do not overwhelm domestic interests and dialogue. Domestic processes, especially in countries with weak political and administrative institutions, need space to take place. There is an important case to be made for donors standing back and allowing that space, whether in defining goals and strategies, or in carrying out TC.

*Effective national management is essential if TC is to contribute more to partner countries' capacity.*

**Policy and framework for TC.** If TC resources are to be used well and in accordance with country priorities, it is essential that recipient country governments establish a framework for making decisions about, managing and monitoring TC. Political commitment and a clearly articulated policy to use resources in accordance with national priorities and to manage TC actively are essential.

**Structures and processes.** Effective management must include well-defined, systematic and credible structures and processes that integrate TC as a resource for meeting national goals, whether directly through the budget or in a closely linked but parallel system.

**Data collection and management.** Countries also need to develop the means of making TC management credible. This includes establishing means to monitor projects and collect data to inform decisions about resource allocation, implementation and evaluation. Governments concerned with directing and managing aid, and TC specifically, must create regular means of collecting the necessary data and utilizing it in management and monitoring of performance.

**Openness of data.** To enable accountability more broadly, data should be made publicly available and should be provided regularly in summary forms that are meaningful to end-users.

**Donor assistance for building national TC management capacity.** One of the most important things donors, especially UN agencies and other multilaterals can do is to assist countries in establishing mechanisms for TC management and in developing the capacity to make them effective. This would include helping to develop systems for the regular collection, analysis and utilization of TC data.

**Donor transparency.** Although donors are pushing institutional reforms that increase transparency for developing countries, they themselves resist openness when it comes to particular aspects of TC, especially those relating to

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the cost of advisers. This hinders governments' ability to make rational decisions about efficient use of resources or to evaluate TC, and contributes to the waste of what could be valuable resources for development. Through their TC management, partner governments should move in the direction of requiring transparency on the part of donors, and donors must become willing to practice it.

***Institutional weaknesses hinder capacity development, the effectiveness of TC and the possibility of TC reform.***

**Priority of institutions and governance.** Public sector frameworks often fail to provide adequate continuity or incentives, and may harbour high levels of corruption. Strengthening institutional frameworks and making them more conducive to developing and sustaining capacity should be a priority of governments and donors alike. This includes both working to improve the quality of governance generally, and establishing incentives for performance and for individual and organisational capacity development.

***Issues around expertise and TC personnel are difficult, yet central to transforming TC.***

**Local vs. expatriate personnel.** Donors should exercise great restraint in utilizing or encouraging the use of expatriate personnel. They should be open about their relative cost. Conversely, when expertise outside implementing institutions is needed, local expertise should be used whenever and as fully as possible.

**Building capacity of local research and consulting sectors.** The extent to which local expertise can take over the role of providing knowledge services for government and other institutions in the country will depend substantially on the strength of the local universities, research institutes and consulting sectors. Donors and partner governments should therefore invest in building the capacity of this sector, as well as demanding its services.

**Personnel and jobs data bank.** If donors and governments are to gain access to local expertise, there needs to be a better base of information about available expertise. Establishing and maintaining a system that collects information on both the supply and demand — experts and job opportunities — would be valuable. Donors, partner governments and research institutions could work together to develop and maintain such a system.

***TC needs to be “mainstreamed” into existing capacity development institutions.***

**Integration of TC into local institutions.** Technical cooperation and its capacity development efforts should be integrated as fully as possible with implementing institutions. Donors should resist the attraction of operating TC in parallel with existing institutions. To the extent that project management units remain necessary, keeping them within the purview of the



relevant ministry or organisation will be more likely to have positive results for capacity development.

**Strengthening human capital-building institutions.** Technical cooperation should not aim to build capacity only in the government but should also invest in higher education and other relevant knowledge institutions, including universities and research, policy analysis, and management institutes, and NGOs. This will support the development of human capital more broadly in the country and will strengthen the country's ability to nurture, sustain, update and regenerate its capacity over time.

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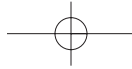
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