OWNERSHIP, LEADERSHIP AND TRANSFORMATION

CAN WE DO BETTER FOR CAPACITY DEVELOPMENT?

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CONTENTS

PART B: A CASEBOOK OF EXPERIENCES AND LESSONS   167

Country Cases

Regional and Global Cases

FIGURES, TABLES AND BOXES

Foreword

As this book goes to press, we have about 12 years to reach or miss the targets set in the Millennium Declaration and the eight Millennium Development Goals (MDGs). These targets represent promises that every country in the world have already pledged to keep. The Monterrey Consensus shows how those promises *can* be kept: through a new partnership that imposes mutual obligations on developed and developing countries.

The overall success or failure of this new global partnership will hinge on the commitments of rich countries to help poorer counterparts who are undertaking good faith economic, political and social reforms. The success of the MDGs also depends on their being translated into nationally owned priorities and targets, and adapted to the particular local conditions. National ownership means that a country needs to decide for itself the difficult questions of how to allocate scarce resources – choosing, for instance, whether girls' education should be a bigger budget priority than clean water. If we want to succeed, this new global partnership needs to be an honest compact to empower people, to build and sustain institutions with a solid level of performance, and to create space for vibrant civic engagement and societies to shape and pursue their own destiny.

For that reason, this research project has focused on the question of capacity development. This volume, the third book in the series, explores the operational implications, from the standpoint of capacity development, for dealing with long-standing development dilemmas. It aims to provide additional impetus to the current drive for harmonization of donor practices as convergence around country priorities, processes and systems. It also addresses head on some of the most problematic issues related to incentives, such as compensation schemes, project implementation units, brain drain and corruption. I am hopeful that this book will prove useful to decision makers and development practitioners alike, in particular in developing countries, and inspire new ways to care for the fertile ground on which local ownership and capacity grow.

MARK MALLOCH BROWN
Administrator
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Preface

No other agency can claim more practical knowledge of development problems than the United Nations Development Programme (UNDP). Since its inception, UNDP has been the main source of concrete thinking and expertise in practically all areas of development policies. It has been an engine of change in the way development is conceived and implemented, constantly pushing forward the frontiers of international cooperation. Beyond those of its achievements that are visible in the field, UNDP's main merit is its continuous and humble revisiting of conceptual frameworks and operational instruments of development policies. It reflects on what the dynamics of the economy mean for development goals: they are moving targets entailing moving values, since policy agendas at both the international and the national levels evolve in tandem with the pace of changes in technology, information, transnational flows and cross-cutting phenomena.

This book is part of the process of reviewing and reassessing what we know about development and how we provide technical assistance to developing countries. It is an important contribution to the ongoing task of understanding development processes. It improves and enlarges on the current basic concepts that sustain the technical cooperation policies of the UN agencies, and it points the way forward for all of them. We can be sure that this publication will be the starting point of discussions and research in development agencies and in developing and developed countries alike, thus enriching the participation of all sorts of stakeholders in the shaping of development actions.

The evolving vocabulary of North-South relations mirrors changes in attitude. During the 1960s, the only way to foresee and design development aid policies was summed up in the concept of "technical assistance". These words connoted the idea that rich countries have a monopoly on knowledge. Technical "cooperation" was coined more than a decade later, as a way to re-establish some balance in the North-South relationship. Then, in the 1980s and 1990s, following that logical sequence, "capacity-building" appeared as a key concept of development aid, and was widely recognized as its main goal. At the same time, UNDP introduced full-fledged changes in the way of measuring the impact of aid by launching the human development index and the annual *Human Development Report*. The instruments of development operations further evolved to give an important role to human resources development and institutional development. Therefore, more than the words, what has been constantly evolving is the "technology" of development cooperation.

This book introduces the additional and provocative notion of capacity development, defined by the authors as an endogenous course of action that builds on existing capacities and assets, and the ability of people, institutions and societies to perform functions, solve problems and set and achieve objectives.

The idea that capacities exist in developing countries and need to be developed synthesizes the acknowledgement that development strategies do not have to, and indeed should not, be imported from outside. This, in turn, leads to two conclusions: one, that only home-grown policies based on local capacities are sustainable and potentially successful; and two, that there is no "one-size-fits-all" economic development model, applicable to all situations and all national realities. These conclusions can help us understand the limited success – and sometimes the downright failure – of development policies that have been designed and applied in recent years: the predominance of uniform economic thinking has affected almost all developing countries and policy makers, and has determined the content and the objectives of development aid provided by donors. Fulfilling the paradigm of economic liberalization without paying attention to the local conditions required to benefit from it has been the main model applied to development policies all over the world. We now know that opening trade and investment regimes, modernizing and diversifying productive structures, and ensuring social equity and democratic systems entail a great deal more than implementing what manuals say. "Ownership" is another notion that has appeared in recent years as a *sine qua non* for the starting point of development operations rather than at the end. It is amazing how many aid programmes or financial loans are being implemented in such a way that the recipients are supposed to "own" timetables and reform processes that have in fact been designed far away from their reality. Common sense dictates that sustainability will not be achieved unless the truly committed involvement of local players is ensured in the transformations aimed at by the development programmes. Common sense, however, is not automatically guaranteed in this field. Too often, short-sighted economic or political interests prevail and distort the long-term goals of technical cooperation. The book rightly highlights what should have been common sense but was ignored in too many cases: "there are no simple blueprints." The willingness to question conventional wisdom, which has characterized UNDP's behavior, emerges here as a code of conduct for all those involved in development policies, in both industrialized and developing countries.

There is an even more fundamental conclusion stemming from the idea of capacity development: the main objective of technical cooperation should be to contribute to the utilization and expansion of local capacities. Drawing from the United Nations Conference on Trade and Development's (UNCTAD) experiences on trade and development issues, this means, for instance, supporting the capacity of national trade ministries to formulate and implement home-grown trade policies. This also means ensuring that national research capacity is developed in order to match the scope of the trade agenda that the country requires; that the government officials in charge of decisions affecting the trade and investment regime are fully aware of the features of the country's production and export goals; and that the various institutions needed to manage the complexities of economic liberalization are in place – from customs to environmental authorities, from

negotiators to financial intermediaries, from private sector groupings to technology transfer mechanisms. In other words, this means giving a predominant role to local expertise and local institutions, while also providing them with the tools they need to be effective in their functions.

The authors make two types of contribution to the debate on how to be effective in development operations. On the one hand, there is a set of basic principles underlying the concept of capacity development and its practical implementation, presented in user-friendly fashion meant to stimulate discussion by several types of participants. These principles describe the best practices that ensure quality in development aid. On the other hand, the book contains a compendium of 56 case experiences illustrating concrete situations where a capacity development approach has been applied. These demonstrate the variety of development problems that have to be addressed, and the solutions that have to be devised, reiterating the limitations of standardized approaches. In many cases, endorsing the notion of capacity development will inevitably imply sweeping changes in donors' views, in agencies' routines and in recipients' approaches. The process leading to full implementation of the necessary changes will take some time and will be uneven. It will also be cumbersome; we should not expect quick results. Let us recognize that changing attitudes in the realm of development policies is not an easy endeavor. Routine and well-known procedures are the main characteristics of development operations within the UN system as well as outside it. Indeed, it is easier to send an "expert" to a developing country for a few days or weeks than to figure out how to help a national-based institution cope with new issues. It is easier to produce a report on rural development when one is comfortably installed in a high-tech office in an industrialized country than to actually spend time visiting rural communities in remote areas, understanding their needs and formulating a project proposal that will develop their own capacity. And we should not forget that sometimes, vested interests determine the nature of development initiatives more than neutral goals. Technical cooperation is – and will probably continue to be – a tool of domestic economic objectives. One of the main challenges raised by this book is to eliminate that danger.

Development is an international public good. The Millennium Development Goals provide a strong, unequivocal political framework to orient international development aid. Let us hope that the notion of capacity development will soon find its place at the heart of new thinking and action.

RUBENS RICUPERO
Secretary-General
United Nations Conference on Trade and Development

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In taking on the subject of capacity development, we surely have been humbled by reality, which is so multifaceted that no single mind or book can ever grasp it adequately. Each assertion opened new questions. As we tried to understand what helps capacities grow, we had the precious opportunity to learn ourselves. In advocating the departure from blueprints, we left some of our own conceptions behind. We now hope that *Ownership, Leadership and Transformation* will prove useful to decision makers and other stakeholders in developing countries in strengthening domestic development management for sustainable results. We trust that it will help stimulate a constructive policy dialogue with development partners, as well as stir concrete innovations in development cooperation, including for UNDP, that are firmly grounded in capacity development as a default setting.

CARLOS LOPES AND THOMAS THEISOHN

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Acronyms

CBOs: Community-based organizations
CCA: Common Country Assessments
CCF: Country Cooperation Framework
CIDA: Canadian International Development Agency
DANIDA: Danish Agency for Development Assistance
DFID: (British) Department for International Development
ECDPM: European Centre for Development Policy Management
EGDI: Expert Group on Development Issues
FDI: Foreign direct investment
GEF: Global Environment Facility
GTZ: German Technical Cooperation
HIPC: Heavily indebted poor countries
IBRD: International Bank for Reconstruction and Development
IDA: International Development Association
IFC: International Finance Corporation
ILO: International Labour Organization
IMF: International Monetary Fund
IOM: International Organization for Migration
IT/ICT: Information technology/ Information and communication technology
LDC: Least developed country
LICUS: Low-income countries under stress
MDG: Millennium Development Goal
NEPAD: The New Partnership for Africa's Development
OECD/DAC: Organisation for Economic Co-operation and Development/Development Assistance Committee
PER: Public expenditure review
PRSP: Poverty reduction strategy paper
Sida: Swedish International Development Agency
SWAP: Sector-wide approaches
SWOT: Strengths, weaknesses, opportunities and threats
TRIPS: Trade-related aspects of intellectual property rights
UNCDF: United Nations Capital Development Fund
UNCTAD: United Nations Conference on Trade and Development
UNDAF: United Nations Development Assistance Framework
UNDP: United Nations Development Programme
UNESCO: United Nations Educational, Scientific and Cultural Organization
UNHCR: United Nations High Commissioner for Refugees
UNIFEM: United Nations Development Fund for Women
UNV: United Nations Volunteers
USAID: US Agency for International Development
VSO: Voluntary Services Overseas
WTO: World Trade Organization

Overview:
Turning dilemmas into opportunities

"Give someone a fish and he eats for a day;
Teach someone to fish, and he can feed himself for a lifetime."

It is an intriguing and powerful message, one understood universally by individuals, communities and societies. Premised on inequality, it puts the destiny of those who lack the knowledge to fish in the hands of those "in the know". Yet in a world now driven by technology and drawn close by satellites beaming information even to the most remote corners, highly industrialized countries no longer have the monopoly on knowledge that they once enjoyed. Global partnerships and networking are creating opportunities to learn "how to fish on your own". Societies have more choices and more means to determine their destiny than ever before.

This book is about developing the capacity to transform these choices and means into real progress. Grounded in ownership, guided by leadership, and informed by confidence and self-esteem, capacity development is the ability of people, institutions and societies to perform functions, solve problems, and set and achieve objectives. It embodies the fundamental starting point for improving people's lives.

There is now a growing understanding that capacity development unfolds over the long-term, and can easily be undercut by insistence on short-term results. An endogenous strengthening of existing capacities and assets, it takes place across three overlapping layers: individual, institutional and societal. Each point involves learning and adopting acquired knowledge to meet local needs. This learning is always voluntary, includes trial and error, and is open to the wealth of opportunities from "scanning globally and reinventing locally" (Stiglitz, 1999).

Capacity development is not power neutral. Questions of capacity "for what?" and "for whom?" quickly touch on power differentials, and are subject to political influence and vested interests. Capacity development flourishes where incentives — monetary and non-monetary — are conducive, and dwindles where they are not. It thrives upon civic engagement and in places where people have control over the systems and resources that shape their lives.

Today, there is a rich body of literature on capacity development. A difficulty remains, however, in pinning down what it actually implies in practical terms. This may be due to the fact that the discussion often relies upon abstract notions that are hard to translate into actions and objectives. As well, countries vary so widely

that generalizations tend to become broad and meaningless, skirting the real issues. Yet a set of core principles can still be identified and applied.

This starts with a reconsideration of the default setting for conceiving, negotiating and charting a locally appropriate path towards transformation. With development long viewed mainly from the cooperation side, it is first of all time to switch to a national perspective. As much a matter of changing mindsets as it is of bringing people together around national priorities and processes, the onus for this will rest primarily on national leaders and their constituencies. In addition, the understanding needs to grow among all development practitioners that the fundamentals of capacity development are universal. Principles of national ownership and stakeholder accountability need to be upheld even in difficult circumstances, and in no situation should the size of the task detract from the commitment to the effort.

Even with basic principles in place, there are no simple blueprints. In a constantly changing world, innovations are generated or reinvented locally, power shifts, interests arise, and "chemistry", whether between individuals or institutions, opens and shuts doors. Successful development responses account for this reality, and tend to be found where national agents, local communities, academia, the private sector and external partners come together and devise tailored responses, taking into account the uniqueness of each situation.

Part A of this book explores these issues, examining a range of long-standing development dilemmas that relate to capacity development, and demonstrating how it is driven by the learning and advancement that stem from particular circumstances and experiences. Key considerations are summarized in bullets under each section. Subsequently, Part B presents a compilation of case histories from around the globe that support the strong links between ownership, leadership and transformation. These real-world examples show that capacity development is not a utopian idea. Never intended as recipes for replication, the cases instead document promising practices and innovations, and underline critical factors that strengthen capacities. They should be regarded as *good* rather than *best* practices.

If there is one central message to single out, it is that we can do better for capacity development. Development literature in the 1960s and 1970s emphasized the need for implementation, only to replace this notion in the 1980s by commitment and political will. We are now in a phase of talking about ownership, even if understanding varies widely on the meaning of this word. By one definition, it is the exercise of control and command, from the idea to the process, from input to output, from ability to results (Edgren, 2003). Still, while a strong case can be made that ownership is a pre-condition for commitment and capacity development, true transformation requires an important additional element: qualified leadership.

The following overview summarizes issues and arguments discussed in this book, presenting ten default principles that inspire ownership and transfigure leadership, and in the process help ensure capacity development.

1. Don't rush

Building and developing sustainable capacities is a long endeavour, whether that involves educating individuals, establishing viable organizations or fomenting major societal changes. Nevertheless, countries tend to operate on a short-term horizon, encouraged in this direction by regular democratic elections or other political and financial imperatives. Similarly, external cooperation is seldom designed to cover more than five years – often less – and budgets are virtually all determined on an annual basis. With 2015 as a target date, the MDGs[1] now provide at least a medium-term development framework, structured around a set of outcome indicators, that is consistent with capacity development.

In recognizing a longer timeframe, benchmarking for capacity development likewise needs to be realistic, informed by a sense of history and social influences. As the MDGs acknowledge, the routes to development goals can differ significantly. While obviously not all means are justified, what matters are the ultimate results. Measuring progress must take place, but without introducing rigidities that fail to accommodate emerging realities. Furthermore, understanding historical dimensions and the often painful upheavals that have sculpted the modern world may help external agents to engage with a sense of humility, one that allows them to see and respond clearly to the situation in which they work.

2. Respect the value system and foster self-esteem

Society brings together all elements of a population, giving rise to an ethos that largely determines the value system within which people function. Elements such as trust and honesty, or corruption and greed, consequently have a major influence on the direction and performance of development efforts.

Values, identity, self-esteem and creativity all nurture a vision for the future. It is by no means a given that there will be mutual understanding when different worlds of knowledge, ways of thinking and arguing, culture and values meet. This is often evident with external cooperation, with its disproportionately dominant role in many host countries. Donors bring along finance, goodwill, values, agendas, priorities, interests and constraints, yet quantity often exceeds quality, and interests motivate action that may not be aligned with a common development objective. Mistrust and cynicism also stand in the way, with talk of "us and them". This division is not necessarily just between expatriates and nationals; there is

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[1] The MDGs include: 1. eradicate extreme poverty and hunger; 2. achieve universal primary education; 3. promote gender equality and empower women; 4. reduce child mortality; 5. improve maternal health; 6. combat HIV/AIDS, malaria and other diseases; 7. ensure environmental sustainability; and 8. develop a global partnership for development.

often an alignment between the interests of external partners and the national elite that comes from a homogeneity of education and aspirations.

The result is a tendency to overlook the fact that there may be different ways of achieving the same target. While the best global knowledge should be shared and put to use, developing countries in the end need policy choices that are based on their own development model. They need to be able to make decisions that can be nationally negotiated and agreed on – in ways that seriously respect stakeholders' rights.

3. Scan locally and globally; reinvent locally

Even with a broad grasp of capacity development, the pinpointing of specific capacities can remain more elusive. Traditionally, the notion of capacity came from the engineering world, and was understood to involve using particular processes to transfer knowledge, especially technical and scientific skills (Morgan, 2001). Little attention was paid to less sector-specific realms, including policy formulation, social and economic research, systems analysis, and review and feedback mechanisms.

Today we know better: knowledge cannot be transferred. It has to be acquired, learned and reinvented. And it encompasses both the deep pool of local under-standing that is the very foundation of learning, and the wealth of global information that can be reconceived to meet local needs. When adaptation fails to happen, however, there is no ownership and likely no lasting capacity development.

There are now more opportunities than ever before for global knowledge to be applied at all levels. The remarkable reductions in the costs of transportation and communication have provided unprecedented access. However, while information and communications technology (ICT) enables collection, storage and access to explicit knowledge, much remains tacit, or embodied in individuals and institutions. So the real benefits of ICT lie not in the provision of technology per se, but rather in improving communication and information exchange through networks of people.

Targeted directly towards specific development goals, ICT can have a dramatic impact, becoming a powerful enabler of capacity development. As local communities become part of global networks, they transcend cultural barriers, and challenge policy, legal and regulatory structures within and between nations. At the same time, a knowledge-rich world is striking down many of the traditional rules that governed organizations, with some parallels for countries as well. For organizations to survive and prosper, they need to adapt and learn, sustaining transformational change through a combination of individual and institutional learning. This new knowledge guides the use of resources, the fostering of team-building, the management of complex matrix relationships – all relevant issues for countries (Khadar et al., 2003).

4. Challenge mindsets and power differentials

While widely regarded as intangible, mindsets, vested interests and power differentials may make the biggest contribution to development success or failure. Mindsets and personalities, informed by language and culture, dictate the course of communication and collaboration. They create influential virtual realities determining how people, institutions and societies behave. One example is the sense of entitlement found in many developing countries, or the myth of superiority that haunts the minds of donors and their experts in subtle and not-so-subtle ways. The language of development is full of metaphors of hierarchy and inequality: aid, assistance, developed, developing world, donor, recipients, etc. (Ribeiro, 2002).

In addition to mindsets, every intervention that involves resource transfers is subject to numerous influences, favourable or opposed. Vested interests may steer efforts away from the development purpose, inducing significant opportunity costs for capacity development as gatekeepers at all levels jealously guard their privileges. And despite well-accepted rhetoric, power differentials can fuel profound mistrust and a vicious cycle of exclusion and disempowerment.

These are highly sensitive issues that often are not talked about and thus are difficult to address. Change starts from acknowledging unproductive vested interests and conditions that do not guarantee a level playing field. Systematically, space must be reduced for illegitimate interests, while clear rules of engagement are established.

Opening room for dialogue in turn sparks an irresistible energy that may encounter resistance. Yet it is difficult today for any party to argue that public participation and transparency are not the way to go. Freedom of expression, an active media, diverse political activities and a functioning judicial system all foster vibrant civil society participation and turn mindsets towards the service of capacity development.

5. Think and act in terms of sustainable capacity outcomes

It may sound like common sense, and in fact, it is. But if decision makers and practitioners do not think and act in terms of sustainable capacity development outcomes, as some have been reluctant to do, they are not likely to achieve much. Capacity development needs to be a national priority, an issue that is discussed in domestic priority setting, strategizing and work planning. Equally, it needs to be firmly on the agendas of policy dialogues between a government and its donors, and continue to be a prime objective throughout programming, implementation and monitoring.

Strong leaders can ensure that capacity development receives proper emphasis in all forums, which is why the relationship between capacity development and

leadership is fundamental for transformation. It is critical to foster leadership to protect capacity investments from the beginning, because poor leaders can destroy decades of patient building of human skills or institutions, or even use available knowledge to provoke social regression. They can confuse ownership claims and leave a vacuum that other less legitimate leaders, including experts, readily fill. The bottom line: high capacity with poor leadership can make an organization or country stumble, but even with low capacities, sound leadership can move a country forward.

From national to local authorities, leaders are most effective when they are inclusive and proactive, and ensure allocation of adequate domestic resources. They must have the courage to take risks and overcome obstacles, while empowering others. With clarity about their own personal goals and how these fit with collective aspirations, leaders cultivate self-awareness, manage themselves in stressful environments, empathize with other people, and address blocks to individual and team performance in order to get the job done.

6. Establish positive incentives

Development interventions, like all actions, are driven by incentive systems, some of which are conducive to capacity development, while others are clearly not. Although incentives can be intended to spark positive results, some actually end up discouraging local initiative, ignoring sustainability and indirectly encouraging brain drain.

Incentives that help preserve capacities and maximize their use are grounded in governance systems based on the rule of law and human rights. Using a rights-based approach to development is one step towards a larger ambition for the entire society, even though transformation requires much more. Many examples of good governance have dominated the literature on this subject, and even without entering into the debate on the issue, it is important to acknowledge the immense consensus attained by the international community on what constitutes good governance.

Many developing countries, however, still struggle with public services that are riddled with negative or perverse incentives, including low remuneration, skewed recruitment and promotion criteria, compression of salary differentials and downsizing. All of these factors have been blamed for capacity erosion. To shield their sponsored initiatives, while ensuring sustained delivery, donors often hand out incentives in the form of salary supplements, and travel and meeting allowances. Yet such practices drain the public service of its most able employees and reduce the motivation for a comprehensive reform. While there is no quick fix, there is a need for locally led, harmonized solutions, optimally integrated in national budgets. Independent mechanisms can support reform of public programmes and procedures, while partnerships between the government and civil society actors can foster consensus for larger public administration reforms.

The use of external expertise, still often regarded as a bonus or free good, is another example of perverse incentives. Foreign consultants are never free, and their costs have to be known, budgeted and compared with alternatives in the most transparent fashion. Governments can negotiate greater use of local and regional consultants, short-term advisors and volunteers. Coaching models and independent oversight mechanisms, as well as institutional twinning, time-bound gap-filling and costing of technical cooperation attributed to national budget systems are all initiatives that have been successfully tested.

Incentives also have to be examined in the arena of procurement, where policies for donors as well as recipients should explicitly address the requirements for capacity development. Procurement transparency is central to the establishment of a culture of accountability and cost-effectiveness, but complex procedures tend to overwhelm recipient country governments and local agents. The best course of action is to adhere to minimum operating standards.

One of the biggest threats to capacity development is corruption, which siphons away resources and weakens systems. Instead of indulging in witch-hunts, however, anti-corruption efforts should focus on prevention, through incentives that arise from fostering positive values, creating a culture of professionalism and meritocracy, improving transparency and disclosure, and building accountability. De-mystifying and de-personalizing government through civic education not only reduces opportunities for corruption, but also enlarges the capacity for participation. It is also important to strengthen and protect the integrity of the media, civic groups and other non-governmental organizations, which offer checks-and-balances. Without the threat of exposure, corrupt officials act with impunity.

Even when all is done to create the optimum set of incentives for capacity development, qualified labour is subject to global trends. To deal with brain drain, push factors have to be turned into pull factors, with the ability to monitor, evaluate and respond to the emigration of the highly skilled becoming particularly essential for countries with weak talent pools. In addition to stimulating return migration, it is important to encourage reverse flows of income, through remittances and investments, and channel them towards development efforts. Diaspora networks can be an important medium for knowledge sharing.

7. Integrate external inputs into national priorities, processes and systems

Development agencies, even with all good intentions, have invented a jungle of multiple rules, procedures and requirements. Developing countries have been expected to adapt to these. But this accommodation involves high transaction costs and strains domestic capacities. It is time to shift the onus of flexibility from

developing countries to donors, even if it means that doing business may differ significantly from one country to another. Recipient countries, on the other hand, should be prepared to refuse offers of extrabudgetary support that divert national resources to lower priority activities, and obscure the true costs of development efforts.

Increasingly, developing countries are taking charge of the process of development aid, starting with the mechanisms for policy dialogue with donors. National development forums are replacing consultative groups and round table mechanisms. Recipient countries should in general insist on the primacy of one single development framework, such as the poverty reduction strategy paper (PRSP) process, a national development plan, or similar approaches that are nationally derived and owned.

PRSP preparation can be driven merely by the desire to obtain continued concessional assistance – as some recent cases have shown. But PRSP design has put stakeholder consultation and participation at the centre of defining national priorities and actions, which gives PRSP countries a tremendous opportunity to reclaim ownership of their development. The MDGs offer another option, and in some cases may be integrated with the PRSPs. Where governments are not committed to these goals, societal forces need to exert pressure to make them more responsive.

Project aid, programmatic or sector-wide approaches (SWAP), and budget support all present both risks and possibilities to increase ownership. From a capacity point of view, there is clear reason for integrating aid into national priorities and systems. Where a government is not representative or fails to meet minimum operating standards, budget support may not be feasible, but it may remain a good starting point for exploring options.

In general, external partners must respect national procedures for the selection and approval of priorities and related budgetary allotments, with the implementation of programmes ultimately the responsibility of national agents. However, management and oversight still require clear delineation of responsibility, relationships and accountability through established institutions and systems. In countries with weak capacities, integrating external expertise directly into the administration through gap-filling "without shame" is preferable to establishing parallel institutions, such as project implementation units.

Monitoring should be a mechanism for learning and adjusting to evolving conditions, but when approached primarily as a reporting and control instrument, this fundamental purpose tends to get lost. A broader approach is the public expenditure review (PER), which emphasizes national participation. Results-based management, when used as a part of national planning systems, can also become an important instrument for empowerment.

When piecemeal alignments among groups of donors become standard practice, they fragment development efforts and further diffuse national control. Multilateral development banks, Organisation for Economic Co-operation and Development/Development Assistance Committee (OECD/DAC) members, the European Union and United Nations agencies have pledged to become more coordinated and responsive to country conditions, which implies commensurate changes within their legislative and regulatory frameworks. For developing countries, this level of international momentum on harmonization opens the door for renegotiating aid systems on more beneficial terms.

8. Build on existing capacities rather than creating new ones

Each generation learns from earlier ones, with language, values, culture and customs strong determining influences on any individual. So it is appropriate for capacity development, as an endogenous course of action, to begin with existing capacities and assets. For any country, it is useful to identify current capacities and determine those that need bolstering. Even if an entire systemic analysis cannot be carried out, capacity self-assessments start the process of asking hard questions and set the right tone for internal discussion.

With current incentive structures for the development industry heavily stacked in favour of "getting the job done" over sustainability, a gap-filling approach prevails and tends to be donor driven. Everyone stands to benefit, however, when technical cooperation is directed towards fostering organic capacities (see figure 0.1). This begins with restricting the use of technical cooperation to where it is most needed, or by infusing consulting and strategy formulation with participatory techniques, such as a future search. The challenge is to work with agents of change within society and government, while cultivating and protecting existing social capital. Fragile countries pose particular difficulties, although scenario building and prospective studies have been successful in building consensus in post-conflict and crisis situations.

9. Stay engaged under difficult circumstances

Where crisis or post-crisis conditions constrain government functions and competencies are weak, external partners typically react by tightening conditionalities, taking control of vital functions, or in some cases disengaging altogether. Corrupt or exploitative governments tend to see their aid flows sharply decrease. Yet people in the weakest societies need capacity development support most, or even capacity replenishment, as in the case of the devastating consequences wrought by HIV/AIDS. Operational responses will naturally vary, even as fundamental capacity development principles must remain in place.

FIGURE 0.1: ORGANIC CAPACITY DEVELOPMENT
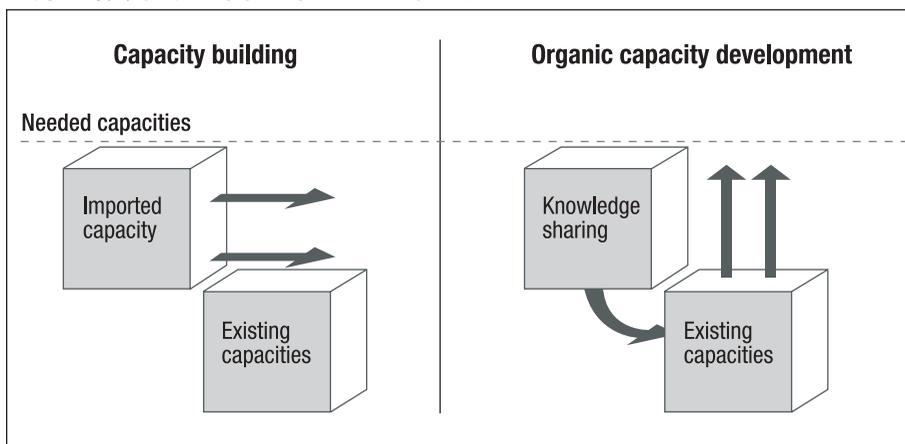
In post-crisis situations, each phase in crossing from relief to development offers the potential for capacity development. Area development programmes have been successful in some places because they take a comprehensive approach, building on local ownership, and focusing on reinforcing the capacities of local and district governments as well as traditional institutions. Reconstruction phases in particular may provide significant openings for leapfrogging administrative gaps.

The challenge of finding appropriate ways of intervening is highest in countries where government ownership has strayed far from the common good, human rights are violated, and the personal interests of the powerful overshadow any develop-ment effort. The most desperate situations may be those where semi-legal but irresponsible leaders betray their people and wreck their country by gutting national capacity and assets. Protecting what remains of existing social capital becomes an urgent priority, while finding and working with change agents requires sensitivity and ingenuity. Instead of fully bypassing government, it may be preferable to maintain pressure points in strategic areas that can foster change and increased accountability. Basic social service delivery, for instance, may become an entry point allowing continuous engagement as well as potential short- and long-term support for the population.

As a crisis wanes, donors also need to stay engaged, instead of simply over-whelming a country during its darkest hours and then moving on just when the long-term agenda must begin. Donors also often inadvertently target the same sectors, neglecting others that offer less political mileage and visibility. Their over-powering presence makes local authorities look impotent, while the flood of assessment missions creates astronomical expectations often followed by an excruciating hiatus of activity that leads directly to alienation.

Such uncoordinated and disruptive support does little to help a country find a sustainable development path. To avoid some of these problems, external agents must be willing to accept coordination by a national institution wherever possible, or pool their resources in a temporary arrangement. This encourages the emergence of ownership and leadership, yielding a lasting benefit.

10. Remain accountable to ultimate beneficiaries

Any responsible government is answerable to its people, and accountability among both national governments and donors is essential. But while accountability mechanisms that prevent wrongdoing are important, they do not necessarily steer a course towards the actions that make a difference in poor people's lives.

Far more important is a general culture of transparency, the foremost instrument of public accountability, not just in terms of financial resources, but also with regard to institutional management practices, planning and service delivery. Transparency gives a powerful opportunity for stakeholders to monitor and apply pressure, with information about positive experiences and success stories becoming as important as the monitoring of failure and misconduct.

Systematic feedback from intended beneficiaries of development and from those responsible for development activities always carries the promise of a response – after all, no large famine has ever occurred in societies characterized by democracy and freedom of expression (Sen, 1999). When public service managers, for example, come to depend on feedback for their portion of public resources, they soon appreciate mechanisms such as suggestion boxes, user satisfaction surveys and public hearings. National reporting on the MDGs is another avenue that will provide stakeholders with a potent tool to assess the actual achievements of both their leaders and the international community.

Ideally, monitoring should be seen as a mechanism for learning and adjusting to circumstances, even as it remains a valuable instrument for evaluation and codification of knowledge. Fine-tuning should no longer be perceived as a weakness in planning, but rather as an effective way of responding to change. And while donors are answerable to their domestic constituencies and need to enroll continued support for development by demonstrating the impact of their individual forms of assistance, realistic ways of assessing results and successes from collective undertakings must also be found.

The global dimensions

The global dynamics influencing capacity development appear throughout this book. Some can greatly undercut capacity development efforts – the international mobility of highly skilled workers, for example, while contributing to better international

flows of knowledge and the formation of international research and technology clusters, erodes talent pools in some countries and regions. The underprovision of global public goods can wipe out years of capacity development efforts, as shown by the HIV/AIDS pandemic.

Other global trends have diverse implications. The explosive growth in information and communication technology (ICT) is spinning powerful social and economic networks, and radically improving the exchange of information. Trade alignments shift constantly, with institutional and social conditions playing an important role in determining whether, and to what extent, a country reaps potential benefits. More trade agreements and policies based on human development could encourage capacity creation, retention and utilization.

A new aid architecture is also emerging. The Millennium Declaration, including the MDGs, offers a framework for development endorsed by virtually all countries. Such a pledge needs to be backed by resources: the estimated cost of achieving the MDGs is placed at US $100 to $120 billion a year, less than .5 percent of global GDP. To put this amount in perspective, military spending in the world is about $800 billion a year, while agricultural subsidies in OECD countries amount to $327 billion, and total expenditures on alcohol and cigarettes in Europe are more than $150 billion (Jahan, 2003). It is time to shine the spotlight on donor countries over the issue of political will.

With a strong global consensus and the financial resources to fulfill the MDGs, the question then becomes, "Where do we begin?" If national leaders and the international community are serious on this common commitment, they will recognize that building lasting local and national capacities can pave the way for achieving the MDGs, and herald a future of sustainable growth.

10 DEFAULT PRINCIPLES FOR CAPACITY DEVELOPMENT

01 *Don't rush*

Capacity development is a long-term process. It eludes delivery pressures, quick fixes and the search for short-term results.

02 *Respect the value system and foster self-esteem*

The imposition of alien values can undermine confidence. Capacity development builds upon respect and self-esteem.

03 *Scan locally and globally; reinvent locally*

There are no blueprints. Capacity development draws upon voluntary learning, with genuine commitment and interest. Knowledge cannot be transferred; it needs to be acquired.

04 *Challenge mindsets and power differentials*

Capacity development is not power neutral, and challenging mindsets and vested interests is difficult. Frank dialogue and a collective culture of transparency are essential steps.

05 *Think and act in terms of sustainable capacity outcomes*

Capacity is at the core of development; any course of action needs to promote this end. Responsible leaders will inspire their institutions and societies to work accordingly.

06 *Establish positive incentives*

Motives and incentives need to be aligned with the objective of capacity development, including through governance systems that respect fundamental rights. Public sector employment is one particular area where distortions throw up major obstacles.

07 *Integrate external inputs into national priorities, processes and systems*

External inputs need to correspond to real demand and be flexible enough to respond to national needs and agendas. Where national systems are not strong enough, they should be reformed and strengthened, not bypassed.

08 *Build on existing capacities rather than creating new ones*

This implies the primary use of national expertise, resuscitation and strengthening of national institutions, as well as protection of social and cultural capital.

09 *Stay engaged under difficult circumstances*

The weaker the capacity, the greater the need. Low capacities are not an argument for withdrawal or for driving external agendas. People should not be held hostage to irresponsible governance.

10 *Remain accountable to ultimate beneficiaries*

Any responsible government is answerable to its people, and should foster transparency as the foremost instrument of public accountability. Where governance is unsatisfactory it is even more important to anchor development firmly in stakeholder participation and to maintain pressure points for an inclusive accountability system.

PART B

A CASEBOOK OF EXPERIENCES AND LESSONS

Introduction

The following section collects 56 case histories from across the world that offer evidence and inspiration on how capacity development works. Telling a story about practical experiences is perhaps the most powerful way to prove a point.[1] It enhances the understanding of issues and concepts still widely considered to be poorly defined. Stories can show us what "capacity" looks like and how to nurture it. They can tell us how to know when it does and does not exist. And sometimes they can give us valuable insights into remedying capacity gaps in one situation by learning from another.

Each case history featured here profiles an innovative experience that relates to the issues and arguments presented in the first part of this book. While a number of the cases emphasize one particular theme, others touch upon several subjects. For instance, "Decentralization Starts with Assessing Current Capacities" provides a practical look at the ownership and commitment issues discussed in chapter one. "Public Hearings Arrest Corruption in Rajasthan," which describes the public auditing of development projects, is relevant to the deliberation on corruption in chapter three as well as the issue of self-esteem and civic engagement debated in chapter four. A list of relevant cases follows each subsection in the chapters.

The cases cover experiences in specific countries and regions, as well as a range of actors, including governments, civil society, NGOs, the private sector and

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[1] Stephen Denning. 2002. "Technical Cooperation and Knowledge Networks." In *Capacity for Development: New Solutions to Old Problems,* edited by Sakiko Fukuda-Parr, Carlos Lopes and Khalid Malik. New York/London: UNDP/Earthscan.

research institutions. Some deal with macro-level processes, others highlight micro-level innovations within communities or organizations. As individual cases are relevant illustrations of several arguments, a thematic classification was not feasible. They are thus presented in alphabetical order, with the respective country at the beginng of the title. Some regional and global experiences are grouped together at the end.

Each case is divided into four sections:

> *In a Nutshell:* Briefly introduces how the case relates to arguments presented in this book

> *The Story:* Describes the background, rational, actors and processes, as well as key considerations

> *Results and Critical Factors:* Summarizes the main achievements and the factors behind them

> *Further Information:* Provides related references, Web sites and contact details

As individual experiences, case histories tend to be specific to their context, presenting lessons for other situations mainly through some degree of abstraction. To expect them to cover every conceivable empirical nuance would be unreasonable, so they do not pretend to be comprehensive or methodologically rigorous. For most of the cases, key protagonists who had first-hand experience contributed primary material. They do not promise recipes for future success, but offer knowledge that perhaps can be reconceived and shared in other places.