

CAPACITY DEVELOPMENT BEYOND AID



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Capacity development beyond aid

Acknowledgments

Since 1999, *Capacity.org* has been a resource consisting of a website and a professional journal providing practitioners in the field of capacity development across the world with information about state-of-the-art developments and ideas, policies, and practical methods and tools. *Capacity.org* was established by the European Centre for Development Policy Management (ECDPM). In 2005, SNV took the initiative to increase the journal's impact by strengthening both the print and web platform. That same year, UNDP also joined SNV and ECDPM in the consortium running *Capacity.org*, and later ICCO, CDRA and PRIA were brought on board as well.

After the present publication, *Capacity.org's* activities will be limited to keeping the knowledge resource that was built over the years accessible through www.capacity.org. Activities will be stepped up again as soon as new sponsors come forward.

Apart from the editors of this publication, the following people have been members of *Capacity.org's* editorial board: Kaustuv Bandyopadhyay (PRIA), Niloy Banerjee (UNDP), Niels Keijzer (ECDPM), Sue Soal (CDRA), Thomas Theisohn (UNDP) and Hettie Walters (ICCO). Evelijne Bruning was editor in chief in 2005–2006. Wangu Mwangi was web editor in 2007–2014. Production has been in the safe hands of the Contactivity team, including Rutger Engelhard (director), Valerie Jones (editor), Mark Speer (editor), Anita Toebosch (layout) and Michel Coclet (translator). We thank these colleagues for their dedication and professionalism.

But most of all we thank the hundreds of authors who over a span of 15 years have contributed to 47 issues of *Capacity.org* and the website. By sharing their knowledge on this platform, they have contributed tremendously to the body of knowledge on capacity development. This knowledge remains alive and will continue to evolve as international development efforts enter the new and dynamic stages explored in this publication.

The editors

Heinz Greijn, Volker Hauck, Anthony Land and Jan Ubels

Colophon

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Preface

Capacity.org was launched in 1999 in response to a growing interest in capacity development as a key driver of sustainable development. Although by no means a new concept, much needed to be learned on how to apply good capacity development practice. Over the course of 15 years and the publication of 47 issues of its magazine, *Capacity.org* sought to do precisely that: engage on a wide range of issues related to the concept and practice of capacity development in development cooperation.

During *Capacity.org's* 15-year existence, the context of international development cooperation has changed dramatically, however. The simple dichotomies that once defined the aid relationship – rich and poor countries, donors and recipients, the global North and South, foreign expertise and local knowledge, to name a few – have been rendered obsolete. The global flow of knowledge and expertise is changing. New players have appeared on the stage of development cooperation, including non-DAC countries, impact investors, philanthropic organisations and private sector companies.

With 'beyond aid' we refer to sources that lie outside the traditional aid sector and that increasingly fuel capacity development with knowledge and financing. They may not refer explicitly to capacity development in the work they do, nor are they necessarily familiar with the body of knowledge on capacity development that has emerged over the years. But they are becoming increasingly significant players that influence the way people, organisations and societies change and develop their capacities.

What does this mean for the body of knowledge and praxis that has been built up in the aid sector in support of capacity development over the past decades? Is there indeed a role for capacity development beyond aid? How can good practice be harnessed and further developed by those actors and stakeholders who are becoming less aid dependent, but who continue to face capacity challenges? In view of the universal applicability of the sustainable development agenda in all countries, will the capacity constraints of rich countries also become explicitly recognised and addressed through more international cooperation? And what contribution can capacity development play in the difficult circumstances of fragility and instability, where the role of the international community will remain important for the foreseeable future?

To mark its 15th year of publication, and in recognition of these significant developments, *Capacity.org* is publishing this special edition to explore these questions. It does so in the firm belief that capacity development is as relevant today as it has ever been and that it already plays a critical role in transforming societies beyond aid.

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Contents

Preface	iii
Reflecting on 25 years of capacity development and emerging trends	1
Anthony Land, Heinz Greijn, Volker Hauck and Jan Ubels	
Can donors do better in public sector capacity development?	19
Nils Boesen	
Who's in charge here? Interrogating reform resistance in capacity development support	29
Niels Keijzer and Piet de Lange	
Strengthening countries' capacity to steer themselves: experiences from think tank and knowledge network support programmes	39
Volker Hauck and John Young	
With contributions by Irene A. Kuntjoro and Husni Mubarak	
Private sector engagement in development partnerships and platforms	53
Jan Ubels and Allert van den Ham	
Development, democracy and participation: the curious case of social accountability	67
Kaustuv Kanti Bandyopadhyay	
Capacity development and resilience	79
Frauke de Weijer and Erin McCandless	
The capacity of developing countries to mobilise resources	93
Annalisa Prizzon	
Epilogue	103
About the authors	107

Reflecting on 25 years
of capacity development and
emerging trends



Reflecting on 25 years of capacity development and emerging trends

By Anthony Land, Heinz Greijn, Volker Hauck and Jan Ubels

Capacity.org was established in 1999, at a time when the international donor community was courting a new and appealing concept – that of ‘capacity building’ and later ‘capacity development’. Few disagreed about its importance, but many questioned its theoretical underpinnings and operational value. In this first chapter, the authors look back at how capacity development (CD) thinking and practice evolved over the last 25 years. The chapter concludes by examining key trends in the development landscape that will inform the future of CD practice.

When *Capacity.org* was established in 1999, capacity development (CD) was far from being a new concept, having roots in a number of different development ideas and academic traditions, dating back to the 1960s and 1970s. Sustainability and empowerment were the core ideas behind capacity development thinking and practice. In a period of decolonisation, this meant for newly independent states and their citizens an opportunity for self-determination and to manage their own development destinies. State building, including the establishment of political systems and administrations able to discharge the affairs of state, as well as the progressive development of an educated and engaged citizenry, means building the capacity of people, organisations and society at large. Political science, public administration, economics and sociology were important academic disciplines informing this thinking.

Capacity development was also influenced by thinking on community and participatory development, from where important concepts related to self-help, community empowerment, sustainable livelihoods and more recently community and societal resilience have evolved. These have been largely influenced by sociology, anthropology and political science. It is also in this context that the human capability¹ approach was born in the 1980s. It focuses on the moral significance of an individual’s ability to achieve the kind of life he or she has reason to value.

Many other disciplines have come to influence capacity development. For instance, the management sciences, gender studies, human resources management and organisational development, but also sub-disciplines of economics including institutional and behavioural economics, and more recently, systems thinking and complexity theory.

An intimate relationship with aid

The discourse on capacity development has always been closely associated with development cooperation. The notion of capacity building was already present when aid became a new instrument of international cooperation, implicit in the Marshall plan for the reconstruction of Europe. But it took on particular meaning during the period of decolonisation and formation of new independent nation states. In this regard, helping countries, societies and people to build their own institutions and human resources to serve their citizens and to become self-sustaining economies has always been a key objective of aid.²

Early efforts assumed that the task at hand was to merely transplant Western institutions and develop core skills among an administrative elite. The rest would follow. Institution building and training alongside infrastructure development became the mainstay of aid in the 1960s and 1970s. Much of this assistance was bereft of political analysis and lacked an appreciation of the local context. At the same time, it was also influenced by Cold War geopolitics, which saw the manipulation of state-building processes to meet wider foreign policy agendas.

As it became clear that these efforts were unlikely to have a lasting effect unless local actors identified with the proposed transformations of their societies, the concepts of ownership, participation and partnership started to permeate development thinking. The presumption that development is an intrinsic public good worth pursuing gave way to an appreciation that development was about change and choice. It was therefore political, messy, contested, and at risk of elite capture and predatory behaviour. In this context, the notion of (good) governance became popular in the latter part of the 1990s and converged with emerging CD thinking.

Donors thus started to realise that they needed to work and act differently. The task of capacity development was not just about what countries needed, it was also about how donors engaged. It was generally acknowledged that uneven power relations, the imposition of policy conditionalities premised on financial leverage, was undermining local leadership and ownership. Too much doing and not enough facilitation easily resulted in substitution and a plethora of uncoordinated projects. Partnership and later aid effectiveness emerged as new concepts during the course of the 1990s and 2000s.

Finding the right way to support country-driven capacity development has remained a key challenge and a driver of much of the analytical work on CD commissioned by the international community over the past 15 years. In this regard, the CD discourse has been intimately associated with evolving discussions around country ownership, partnership and aid effectiveness, with increasing appreciation of the political, cultural and related contextual dimensions of capacity development. At the most fundamental level, the Chinese proverb 'Give a man a fish... teach a man to fish' continues to encapsulate the essence of donor-funded capacity development and highlights the perennial challenge of reconciling the pressure to solve today's needs through capacity substitution while keeping an eye on promoting long-term

capacity development. Concerns about sustainability and exit strategies remain pre-occupations in the aid community. The solution, it is generally recognised, lies in the ability of countries to drive their own change processes so they can find ways of building and sustaining human, organisational and institutional capacities.

Capacity development, as we know it today, has emerged from these different strands of theoretical, operational and political experience. It is very much a holistic concept embracing these different strands, reminding us of the underlying objectives of aid, highlighting the organic and political nature of development and signalling a need to rethink the way the aid industry does business.

Evolution of CD thinking and practice

So how did capacity development thinking and practice evolve over the course of the 1990s and into the new millennium? Below we identify a selection of initiatives, publications and events that have shaped this thinking and practice.

The early 1990s saw a flurry of activity with, on the one hand, an appeal for greater appreciation of the capacities of developing countries and, on the other hand, growing criticism of the way technical cooperation had evolved since the Truman administration had made it one of the cornerstones of US foreign policy vis-à-vis the developing world in 1949.

In 1993,³ UNDP published the now famous Berg report on technical cooperation, entitled *Rethinking Technical Cooperation – Reforms for Capacity Building in Africa*. The report provided a comprehensive analysis of the functions and dysfunctions of technical cooperation (TC). Based on a study of assessments and evaluations of the main multilateral aid agencies and bilateral donors the report concluded that '[a]lmost everybody acknowledges the ineffectiveness of technical cooperation in what is or should be its major objective: achievement of greater self-reliance in the recipient countries by building institutions and strengthening local capacities in national economic management'. The report elaborated on several of the causes, making much of the ineffectiveness of technical cooperation.

Foreign staff were hired, even for jobs that required modest skills, while local university graduates remained jobless. Unlike national civil servants, these expats were highly paid, well equipped, well informed and – not surprisingly – highly motivated. They were inclined to take on more and more responsibilities. Job motivation among local staff who lacked these benefits and assets was low. Incentive systems tended to drive expats to get the job done rather than build local capacity, for which many did not have the required training and coaching skills. As a result, the resident expatriate-counterpart model failed to build local capacity. Furthermore, TC was criticised for being donor and supply driven. Priorities determined at the national level were often ignored or overruled by decisions taken in various donor capitals, each promoting their own projects with their own accounting and reporting requirements. As a result, ownership and development efforts were fragmented, undermining the development of strong local institutions.

The Berg report was the impetus for the establishment in 1994 of the TC network within OECD–DAC to look more closely at the report’s findings and recommendations. The network was later renamed the (Informal) Network on Institutional and Capacity Development in recognition of the need to shift the focus towards capacity development as an outcome rather than on technical cooperation as an input.⁴

Gradually the CD agenda took shape and gathered momentum. Through a mix of research, advocacy and learning from practice, capacity development found itself propelled to the centre of policy discourses on aid effectiveness, while practitioners and strategists continued to develop a more robust knowledge base on effective and innovative CD practice.⁵ Since the mid-1990s, all main multilateral aid agencies, bilateral donors and non-governmental development agencies adopted capacity development as a core element in their repertoire of interventions, moving it up from the operational to the policy and strategic levels. There was a growing consensus that capacity could only evolve if recipient country governments and local actors were in charge of their own development. This required changes in aid modalities as well as the way donors and recipient countries related to one another. It was increasingly recognised that project aid often undermined local capacity due to fragmentation, a plethora of different reporting and accounting requirements and donor-driven structures operating parallel to the government system.

The dominant aid modality gradually shifted from project aid to budget support and sector-wide approaches in which the recipient country governments were expected to take on a leading role. Also, NGOs recognised the fragmenting effect of multiple stand-alone projects and started to adopt programmatic approaches⁶ that focused more on coherence between interventions, involving multiple stakeholders and based on a more comprehensive understanding of context, including the deployment of more gender-sensitive approaches. Northern development workers in management and advisory positions were gradually replaced by development workers from the South.

After the turn of the millennium, documented evidence started to emerge in studies and evaluation reports produced by UNDP, the World Bank,⁷ other intergovernmental organisations⁸ and donor countries⁹ about the effectiveness of the changes in technical cooperation as a result of this evolving understanding of capacity development. The general picture that emerged, however, was mixed. Despite a growing consensus on what successful capacity development is about and what it takes to make CD happen, only modest progress had been made in changing practices and creating the conditions for CD to take root.¹⁰

Studies by UNDP reported significant diversity in the way local leadership was shaping and managing CD with some countries very proactive while others remained passive. The institutional environment was often not conducive to CD support. Institutional weaknesses including corruption, patronage-based recruitment, promotions based on seniority rather than performance, and low public sector salaries were undermining efforts to build effective and accountable institutions.

Meanwhile, donors continued with practices that had been highlighted 10 years earlier by Berg as being un conducive to capacity development.¹¹ An evaluation by the World Bank (WB), for instance, concluded that most capacity building support by the WB lacked an integrated approach and remained too fragmented. Activities were scattered over many projects, often not linked to clear objectives. Tools and instruments could be more effectively and fully used as capacity building was often too limited to training.

The mixed results¹² shown in the UNDP and WB studies, as well as studies conducted by other agencies, prompted the publication of the DAC good practice paper on CD in 2006, entitled *The Challenge of Capacity Development – Towards Good Practice*. This publication marked a high point in the CD story, a point at which a certain stocktaking and consensus was achieved after much negotiation over what the donor community regarded as the essence of good CD practice.¹³ The DAC good practice paper also brought CD into the ambit of the aid and development effectiveness discourse emerging out of four high-level forums led by OECD in Rome (2003), Paris (2005), Accra (2008) and Busan (2011). The 2005 Paris Declaration on Aid Effectiveness outlined five principles¹⁴ to make aid more effective, which corresponded with the principles underlying the capacity development discourse since the early 1990s (ownership, alignment, harmonisation, focus on results and mutual accountability).

The Aid Effectiveness agenda and associated CD work also precipitated a new round of agency-level studies, guidance and reforms, including more operational and practical guidance, techniques and assessment frameworks, for example.¹⁵ It also served as a point of departure for a new wave of exploration¹⁶ that has opened up the CD discourse to related topics, including the political economy analysis, systems thinking and complexity, CD in a context of resilience,¹⁷ human security and state building. Special attention was given to situations of conflict and crisis resulting in the endorsement of the New Deal for Engagement in Fragile Environments in support of peacebuilding and statebuilding (Busan 2011).¹⁸

An important evolution over the past decade has been the adoption of the CD agenda beyond the traditional aid community. Africa has been particularly active, especially at the continental level, in recognising CD as a core development challenge and objective. The African Union, for instance, has developed a Capacity Development Strategic Framework and has used CD as one of three themes to structure its Development Effectiveness internet portal, the African Platform for Development Effectiveness.¹⁹

Key learnings

What have we learned about capacity and its development? Below is a summary of what we consider to be the key learnings.

Capacity, capabilities and nested levels – One of the key achievements has been a more sophisticated understanding of what capacity is. It used to be talked about in

somewhat general terms, remaining somewhat of a black box. But today there is a wide range of tools aimed at unpacking its constituent parts. While the language and terminology is not always consistent, there is a consensus on a number of aspects. First, there is value in looking at capacity from the perspective of individuals, organisations and the larger systems or context in which they function. Capacity can be distinguished at these distinct but nested levels as well as the interrelationships between them. Second, it is important to take into account capacity's soft intangible elements. Often, these elements are not sufficiently recognised, and yet they can have a considerable impact on the way individuals, organisations and larger systems function and perform.

Ownership of change – Today, capacity development is regarded as a change process affecting groups of individuals, organisations or broader systems. Capacity development introduces change in terms of knowledge, skills, attitudes, practices and the formal rules and conventions that influence the way people behave and relate to each other. CD is therefore a far more involved process than one that merely transfers skills or provides resources and assets. Rather, it touches on other soft and intangible variables associated with ownership, challenging values and interests, and seizing opportunities. For those who support capacity development from the outside, it means recognising the primacy of ownership and leadership among affected parties and being sensitive to what is culturally, socially and politically appropriate.

Understanding context – Successful and sustainable CD depends on understanding, navigating or responding to contextual factors that can either help or hinder the envisioned change. Context can mean different things but in essence requires thinking and acting politically. Political economy analysis, drivers of change and stakeholder mapping, for example, have become important tools to enable the leaders and facilitators of change to judge the opportunities for and feasibility of change. Equally importantly, these tools have brought home an appreciation that technical solutions and perspectives are rarely sufficient. Engagement in dialogue processes, and taking account of political perspectives, are key to achieving lasting results. The nature and extent of politics will vary from context to context and from intervention to intervention, but it is rarely, if ever, absent.

Dealing with complexity – Change unravels itself in different ways. CD interventions typically take far longer to implement and are more contested than envisioned, and they rarely respond to detailed design or linear execution. This is especially the case when CD is associated with complex reform processes – either sectoral or governance or in contested environments, such as post-crisis peacebuilding and statebuilding. Whether within the confines of a single organisation, straddling an entire public service or engaging society at large, processes of change need to be managed iteratively, strategically and with a healthy dose of patience. Learning becomes an important accompanying element enabling the adaptation of the change process according to lessons learned and an evolving context.

Systems thinking and in particular complexity theory have opened new perspectives on the underlying features of change and their amenability to controlled interventions. For example, they have contributed to critiquing the logical framework approach, which remains the favoured planning tool for aid organisations. Maybe not in theory but certainly in its application, the logframe is primarily project centred and oriented towards a predictable and linear implementation of interventions. This does not fit well with the context-sensitivity of CD support. Gradually donors have started to recognise these limitations and expect implementing agencies to base interventions on a solid but flexible theory of change, which is geared towards better understanding the contexts within which interventions are expected to influence change.

Multiple entry points and multiple tools – The shift from the simpler idea of skills transfer or development – essentially a human resources task – to more holistic notions of institutional reform and societal transformation (change management and political economy, for example) has revealed the need to think far more strategically and broadly about entry points and tools. Good diagnostics is the starting point to determine where to start and how to engage. Entry points might focus on familiar ‘supply side’ constraints such as staff skills and numbers, or they could focus on ‘demand side’ constraints such as weak accountability mechanisms and the absence of voice.

Attention can focus on technical shortcomings, developing systems and processes, or it can focus on leadership, stakeholder relations and issues of legitimacy and mandate. Different entry points need to be treated with a different repertoire of actions and tools. The CD ‘toolbox’ has therefore expanded. Training and resident experts, the mainstay of much externally financed CD support, is now part of a much larger repertoire – new forms of learning and knowledge acquisition, a greater emphasis on dialogue and political engagement, new ways to share and use expertise and resources through partnerships and virtual exchanges.

Multi-actor processes – Development challenges are rarely resolved through the performance of a single organisation. Rather, resolving them depends on the effective engagement and mobilisation of multiple actors. Experience suggests that when facilitated well, multi-actor approaches can enhance the effectiveness of development initiatives, foster collective learning and trigger long-term systemic change. In fact, capacity resides as much in the relation between actors and evolves from the dynamic between actors. Therefore the practice of capacity development is showing a gradual shift from working with single organisations towards facilitating multi-actor processes with the engagement of diverse actors including from civil society, government and the private sector.

Aid practices and behaviours – Understanding and approaching CD from a change management perspective has challenged the donor community and implementing agencies to reflect on the way CD support is provided. This has brought the discourse on CD close to that of aid effectiveness, particularly with respect to ownership, harmonisation and alignment, and mutual accountability. At times, it has proven

unsettling, as it shifted the focus away from what partner countries need, towards a focus on donors' own practices and behaviours, and the changes they need to make. In particular, people have questioned the procedures, rules and processes associated with conventional project cycle management that privilege detailed design, linear delivery and measurement against pre-determined outputs. The roles, functions and skills associated with technical assistance have been assessed in terms of their relevance for process facilitation and mentorship. Greater emphasis has been placed on donors engaging in dialogue processes and building effective partnerships founded on trust, transparency, shared risk taking and mutual accountability.

To the future

There is no doubt that CD has contributed immensely to development thinking and development practice. But the world is changing, and so capacity development needs to change too. To conclude, we will outline what we consider to be the key trends in the development landscape that will inform the future of CD practice and also introduce the chapters in this book that elaborate a number of these trends.

A changing international playing field – The simple dichotomies that once defined the aid relationship have been rendered obsolete: rich and poor countries, donors and recipients, the global North and South, foreign expertise and local knowledge. The rich versus poor divide has become less pronounced between countries and is becoming more visible within countries, including developed countries. Resource flows for financing development have also changed with new powerful players entering the picture, with publicly funded official development assistance (ODA) decreasing and foreign direct investment increasing. Transnational corporations from emerging market economies, in particular China and India, are becoming increasingly active. Impact investment funds are capable of investing billions of dollars per year. Remittances by today's African diaspora represent 50% more than net ODA from all sources.

In the chapter entitled 'The capacity of developing countries to mobilise resources', Annalisa Prizzon analyses how the development finance landscape has changed and become more diverse in the last decade. The focus on domestic resource mobilisation and traditional ODA has broadened to private finance, either profit or philanthropy oriented, contributions from non-Development Assistance Committee (DAC) donors and climate finance. This creates new opportunities for developing countries to mobilise resources as well as new capacity challenges to seize these opportunities.

More Southern leadership in capacity development – A quarter of a century ago, capacity development was closely tied to the 'aid industry' and often promoted, or even imposed, by the providers of aid including donors, NGOs and Northern knowledge institutes. This situation is changing. Increasingly capacity development is seen less as something that donors do for partners, and more as something that partners do for themselves. However, despite recognition of the importance of Southern leadership, much of the practice in capacity development support has remained supply driven.

In the chapter entitled 'Who's in charge here?', Niels Keijzer and Piet de Lange explain the importance of this question. The authors are not very optimistic about donors and governments changing the supply-driven way capacity development support is often managed. In 'Public sector capacity development – can donors do better?', Nils Boesen describes the limitations of a supply-driven approach to developing capacities in the public sector. The good news, according to Nils Boesen, is that changes in the international playing field as described above will force change to happen. As new players enter the arena, the importance of traditional donors will diminish, automatically creating more space for home-grown development agendas. These agendas will not emanate only from governments or the traditional public sector but also from the private sector, urban authorities, civil society and researchers, and it will be these that will inform the demand for much-needed capacity development support. This changed environment will only provide space for donors and providers of CD support that can break out of their control mode and be genuinely demand oriented.

Resilience as a complementary approach to capacity development in fragile environments – Yet in juxtaposition with this encouraging scenario of Southern leadership are the realities of conflict, crisis and fragility, where the preconditions for such a country-driven agenda simply do not exist. There is still a role for the international community to help put in place the foundations for future country-propelled change. Capacity in fragile environments is by definition frail, which limits the applicability of capacity development approaches developed for more stable environments. Complementary approaches are required. In addition to capacity development, 'resilience' is increasingly considered a critically important concept in peacebuilding and statebuilding.

In the chapter entitled 'Capacity development and resilience', Frauke de Weijer and Erin McCandless draw lessons from two decades of research and practice in the field of capacity development and suggest how these lessons can feed into the emerging resilience agenda.

Enhanced cross-sector collaboration – The classic divide between public, private and not-for-profit is breaking down. At the same time, the role of the private sector in development is gaining prominence. Solutions to today's development challenges are to be found in actors coming together in different ways to share knowledge and expertise, as well as their financial resources. This takes place at the national level, but increasingly also beyond borders as well, where public and private actors increasingly recognise the benefit of investing in regional integration and patterns of harmonisation. New funding arrangements blend together public, private and philanthropic sources of finance to invest in public goods, economic and social infrastructure, and human capital. Sectors such as trade, agriculture, water, and health have recognised the value of multi-actor partnerships to unblock value chains, improve system dynamics, and create opportunities for local producers and consumers. Local governments realise that future economic and social advancement depends on mobilising the support of non-state actors.

In 'Private sector engagement in development partnerships and platforms', Jan Ubels and Allert van den Ham describe new generations of cross-sector collaboration rooted in a growing appreciation of each other's strengths. Increasingly, the public and not-for-profit sector is recognising that development solutions which are inadequately aligned with market dynamics and which depend entirely on aid or public funds tend to be difficult to sustain and scale up. Therefore governmental and non-governmental development agencies are seeking to establish partnerships with private sector actors. Because the private sector is investing more and more in corporate social responsibility, it is beginning to venture into arenas that are traditionally the preserve of the public and not-for-profit sectors and is exposing itself to new ideas and possibilities. The business case is becoming a mainstream tool in all sectors for establishing the rationale for investing in projects and partnerships.

Increasing diversity of sources of knowledge and expertise in support of country-wide capacity development – Several factors have contributed to an increasing diversity of knowledge sources that can be tapped in support of capacity development. The middle class is growing rapidly in many developing countries. This change, in tandem with improved access to higher education, is contributing to a rapidly expanding professional services sector in almost every country. Home-grown think tanks and knowledge networks are emerging in many developing countries, making them less dependent on foreign expertise. In search of more country-specific solutions, their importance as providers of evidence-based knowledge and dialogue capacity in support of a given country's policymaking process is being increasingly recognised.

In 'Strengthening countries' capacity to steer themselves' Volker Hauck and John Young explain how support programmes to facilitate this development have evolved over the years.

The marketplace for capacity development support has also gone global and is becoming multi-polar. The emergence of MICs and emerging economies offer new sources of relevant expertise, as manifested in the growth of South-South cooperation especially at the regional level. A case in point is education. Inspired by the Bologna Process launched in 1999, which aims to make higher education systems in Europe more compatible, regions in Asia, Africa and Latin America have embarked on similar programmes. By converging national higher education systems, countries recognise degrees obtained elsewhere in the region, which is a major boost for the cross-border mobility of students and academics. Education is just one example of a sector in which leaders seek regional collaboration. Other areas in which leaders are exploring the possibility of regional alliances include industry, trade, communication and information, transport, energy, agriculture, forestry and soil conservation.

Advances in information and communication technologies have also helped to level the playing field. Millions of people in the South with an internet connection are now able to tap into a rapidly growing global knowledge pool and with a mouse click can connect to peers for exchange and advice in their own regions or globally. This fuels endogenous innovation as global knowledge is used to develop solutions

that are appropriate to specific local contexts. Increasingly innovation hotspots can be found in cities and regions that 10 years ago constituted the poor global South.

As a result, the capacity of developing countries to access, generate, assimilate and apply knowledge is growing, and this is enhancing opportunities for developing countries to determine their own development agendas. True, aid remains an important mechanism for sourcing global expertise, and many partner governments recognise the contribution development partners can make in this regard. But it is occupying a shrinking space.

Voice and downward accountability – It has long been recognised that civil society plays an important role advocating the performance and accountability of those who govern. This so-called demand side of public service reform and service delivery has received increasing attention from aid organisations who have sought to strengthen the capacity of non-state actors to act as a watchdog and to promote the interests of the disenfranchised. Moreover, the disappointing results of supply-side efforts to strengthen public sector capacity has shifted interest to this demand side, whether in terms of working with think tanks, the media, parliamentarians, private sector interest groups or citizen networks, for example.

But some of the endogenous societal transformation processes are making this shift more compelling; urbanisation, increasing levels of literacy among the youth, access to global knowledge, the availability of relatively cheap technology for quick communication, the emergence of an aspiring middle class and private sector as well as new interest groups, mean that governments can no longer ignore the voice of their citizens. More articulate, better-resourced and emboldened non-state actors are becoming the true drivers of capacity development and societal transformation, placing demands on their governments and the private sector alike to deliver and take into account common and social interests. In the chapter entitled ‘Development, democracy and participation: the curious case of social accountability’, Kaustuv Kanti Bandyopadhyay explains how to strengthen the capacities of citizens and civil society to hold governance institutions accountable.

We are confident that the readers will draw lots of inspiration from the ensuing chapters in this book as our esteemed guest authors move on to explore the future of capacity development beyond aid.

Notes

- ¹ See several of Amartya Sen's works, such as *Commodities and capabilities* (1985), *Development as freedom* (2001) and *Inequality reexamined* (1992).
- ² With a primary focus on capacity to enable countries to tackle poverty, the agenda has in more recent times broadened to tackle regional and international agendas – climate change, public health and security.
- ³ In the same year, Mamadou Dia, head of a research programme launched by the World Bank on Africa's Management in the 1990s, argued that Africa possessed a substantial reservoir of capacity

endowments and best practices on which to build in order to improve the institutional and economic performance of the continent. He argued that through a process of adaptation, formal and informal institutions can converge and build on each other's strengths, and that transaction costs can be reduced and institutional performance maximised. Subsequently, the World Bank published *A governance approach to civil service reform* in 1993, emphasising the institutional and change dimensions involved in reforming public institutions.

Also in 1993, Edward V.K. Jaycox, the World Bank's then vice-president argued in a well-publicised address that 'donors and African governments together have in effect undermined capacity in Africa: they are undermining it faster than they are building it.' Moreover, he pointed out that while an emphasis on policy adjustment and reform was good, ownership and capacity, which he called the 'missing link in African development', should not be ignored. In his address, Jaycox suggested that the term capacity building was first coined in 1990, but the report he referred to, the long-term perspective study of sub-Saharan Africa, does not contain this term. In his own words, 'We invented the words "capacity building" in that report (the long-term perspective study) in a way that would distinguish a new mode of activity, a new way of doing business from what we've been doing in the past. I hope that before this capacity building thing becomes a totally hackneyed cliché, we in fact do change the way we do business. It involves a very different way of going about it. In the Bank, this is what we're trying to do. And a lot of this applies only to the African region, because we're trying to do something about it and there's nothing in the Bank's policies that stops us.' Edward Jaycox (1993) *Capacity Building: The Missing Link in African Development*, Transcript of Address to the African-American Institute Conference, 'African Capacity Building: Effective and Enduring Partnerships', Reston, Virginia, 20 May 1993.

- ⁴ One of the products of the OECD–DAC's TC network was a self-assessment questionnaire on donor agency readiness to apply good CD practice. Eventually the informal network was subsumed within the DAC's governance network, which in 2006 published a good practice paper on capacity development.
- ⁵ Important publications emerging in the latter part of the 1990s included: Merilee Grindle's 1997 *Getting Good Government: Capacity Building in the Public Sectors of Developing Countries*, published by Harvard University, and in the same year, Deborah Eade's *Capacity Building - An Approach to People-Centred Development*, published by Oxfam.
- ⁶ Janice Giffen (2009) *The Challenges of Monitoring and Evaluating Programmes*, INTRAC 2009.
- ⁷ In 2005, the Operations Evaluation Department of the World Bank published an evaluation of Bank support to public sector CD in Africa (*Capacity Building in Africa: An OED Evaluation of World Bank Support*). It concluded that the Bank's support remained less effective than it could be. The evaluators noted that most capacity building support lacked an integrated approach and remained too fragmented. Activities were scattered over many projects, often not linked to clear objectives. Tools and instruments for capacity building could be more effectively and fully used as capacity building was often limited to training. Capacity building lacked quality assurance. The report underscored the importance of approaching capacity building in Africa as a core objective, and ensuring that support was country-owned, results oriented, and evidence based.

- ⁸ Other agencies that have reviewed the way they approach capacity development include the Asian Development Bank and most recently the African Development Bank, which conducted an evaluation of its attempt to strengthen its economic governance institutions portfolio.
- ⁹ In 2008, Germany, Australia and Denmark commissioned an evaluation of TA practice. The report argued that to improve effectiveness, a greater effort was needed on the part of donors and partner countries to shift the burden of TA management to partner countries in line with AE principles while also investing in CD and related aspects of change management as a core area of competency. All three agencies have since developed revised guidance on capacity development support and technical assistance specifically.
- ¹⁰ Evaluations of the effectiveness of capacity development by Northern NGOs also found mixed results. In the late 2000s comprehensive evaluations were carried out in Belgium (the 2010 *Evaluation of NGO partnerships aimed at capacity development*, HIVA, commissioned by the Directorate-General for Development Cooperation) and the Netherlands (the 2011 *Facilitating resourcefulness: Evaluation of Dutch support to capacity development*, the Ministry's Policy and Operations Evaluation Department (IOB)) covering a representative range of all the programmes carried out by Belgian and Dutch NGOs supported by their governments. The evaluators found modest evidence of effectiveness. Both evaluations struggled with the limitations concerning the evaluability of the capacity development interventions. Although the Northern NGOs considered CD important they lacked the ability to capture CD results in clear objectives and SMART indicators. This was especially the case at outcome level and in intervention areas that are context oriented, including politics and influencing policy. The absence of solid baseline studies limited the possibility to measure the effectiveness of CD interventions. Both studies raised concerns about the sustainability of CD intervention, considering that the Southern partners remained very dependent on donor funding.
- ¹¹ UNDP launched a new international research programme on technical cooperation and capacity development. It included studies, a series of international conferences and on-line discussions, interrogating the rationale and approaches behind the way CD was being addressed in international cooperation. A study on TC in six countries – Bangladesh, Bolivia, Egypt, the Kyrgyz Republic, the Philippines and Uganda – revealed, apart from some success stories, major shortcomings as well. Important positive changes in terms of practice included donor commitment to achieve more coherence through sector-wide approaches (SWAp), programme-based approaches concerning a sector, mostly health or education, in which the national government takes a leadership position. With regard to leadership, the studies reported a significant diversity in the way recipient countries asserted themselves in assuming leadership in shaping and managing TCs. Some countries were very proactive while others remained more passive, leaving the initiative in the hands of donors. Another area where TC contributed significantly to CD in some countries was strengthening higher education. In other areas, TC often fell short of developing capacities for several reasons. On the recipient side, the institutional environment was often not conducive to TC becoming effective. Institutional weaknesses included corruption, patronage-based recruitment, promotions based on seniority rather than performance and low public sector salaries. All these

factors demotivated civil servants, caused high staff turnover and have made donors reluctant to relinquish control of TC.

Donors, on the other hand, despite the changing discourse, continued using TC practices that were not conducive to capacity development, for example channelling TC through donor-driven projects with short time frames; promoting their own pet projects-cum-reporting systems, causing fragmentation; establishing parallel systems, including project management units that tended to by-pass local systems and decision-making processes.

The report also highlighted 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 for 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 to that context.'

¹² The mixed results shown in these and many other studies led to renewed activity, including the establishment of the Learning Network on Capacity Development (LenCD) among policy-makers and practitioners, which also canvassed support from the South to counterbalance a discourse that had remained too donor-centric. LenCD emerged from several streams of research and conferences and was established as an independent community of practice dedicated to the pursuit of CD excellence. Members have included DAC agencies but in more recent years there has been growing participation by Southern institutions. Its achievements include support for the drafting of the DAC good practice paper on CD, the hosting of international workshops on CD (in Bonn and in Cairo), and inputs to the Accra and Busan Aid Effectiveness High Level Forums. These workshops produced the Bonn and Cairo consensus statements on CD, which ensured CD was given a higher profile within the wider review of the Aid Effectiveness agenda, linking it to discussions of country systems, ownership, alignment and mutual accountability.

¹³ While always understood as a work in progress, the DAC good practice paper on CD in 2006, entitled *The Challenge of Capacity Development – Towards Good Practice* has become a key reference among donors and partners on contemporary understanding. At the same time, it has been a point of departure for a new wave of exploration that, on the one hand, has opened up the CD discourse to related topics, including the political economy, systems thinking and complexity, CD in the context of fragility and statebuilding, and, on the other hand, to the development of more operational guidance notes, techniques and assessment frameworks, for example.

¹⁴ The 2005 Paris Declaration on Aid Effectiveness outlined five principles to make aid more effective that correspond with the principles underlying the capacity development discourse since the early 1990s, namely that:

- Developing countries set their own strategies for poverty reduction, improve their institutions and tackle corruption (ownership);
- Donor countries align behind these objectives and use local systems (alignment);
- Donor countries coordinate, simplify procedures and share information to avoid duplication (harmonisation);
- Developing countries and donors shift focus to development results and results get measured (focus on results); and
- Donors and partners are accountable for development results (mutual accountability).

- ¹⁵ While LenCD mobilised the international community to prepare position papers on CD to feed into Accra (Bonn consensus paper) and Busan (Cairo call to action), other initiatives aimed at promoting CD in an aid effectiveness context included a JICA-sponsored research project, which prepared a set of sector case studies on effective TC for CD practice that was presented to the Accra HLF. The AE agenda and associated CD work also precipitated various agency-level studies, guidance and reforms. In 2007, the European Commission launched its Backbone Strategy on TC reforms aimed at fundamentally changing the way TC was delivered. As a response to AE indicators relating to PIUs and CD coordination as well as a critical Court of Auditors' report, it developed a reform strategy, reviewed procedures, prepared a guidance note and training course on good CD practice. It also led to the creation of capacity4dev, an internet-based knowledge hub on capacity development, which today is one of the most significant resource bases on CD and development more generally.
- ¹⁶ In 2008, with sponsorship from the DAC, ECDPM published *Capacity, change and performance*, which introduced important insights on the nature of capacity and how it develops over time. Based on a set of case studies from across the world, and drawing from a reservoir of knowledge from the private sector on organisational capabilities and change, it introduced the concept of systems thinking and in particular of emergence and complexity to the CD discourse. These concepts have subsequently received attention not only in the context of CD but in broader discussions on governance, social change and fragility, some of which have been picked up by development policy institutes, including ODI.
- In 2010, the Dutch organisation SNV published a book on CD practice, *Capacity Development in Practice*, offering a much-needed handbook on practical approaches on how to apply new ideas in CD, bringing together thinking from various disciplines, particularly from the civil society sector. This should be seen in light of a significant investment in CD over this period by the NGO community and organisational development communities. One example is Intrac's PRAXIS, which offers practical guidance and innovative methodological approaches on organisational development and change management, and the establishment of the Impact Alliance as an on-line resource of CD tools and practices particularly geared to civil society organisations.
- ¹⁷ The term 'resilience' has started to feature in the policy discourse on topics such as food security, drought resilience, disaster preparedness and climate change adaptation in recent years. The term has also become prominently used in the discourse on fragile states and applied to policy frameworks dealing with peacebuilding and statebuilding. Applied to fragile environments, the concept of resilience is rooted in theories of complex adaptive systems, which view social (or socio-ecological) systems not as deterministic, predictable and mechanistic, but as organic and self-organised in structures that are intricately connected with each other. Consequently, resilience is about the adaptive capacity to tolerate and deal with change without a loss of essential functions. Questions have been raised about enhancing resilience, adaptation, self-organisation and the ability to absorb shocks, and concepts on how to address them are being increasingly tested and reviewed.
- ¹⁸ In line with the emergence of a more Southern-driven agenda, a group of self-declared fragile countries teamed up after the Accra Aid Effectiveness meeting in 2008 to argue that more attention needs to be paid to situations of conflict, fragility and post-conflict recovery. This

initiative underlined the importance of country-led processes, inclusiveness, local ownership, context-specific and home-grown solutions, realistic timelines and the need for integrated or comprehensive approaches.

- ¹⁹ Meanwhile the ACBF, already established in the 1980s, spearheaded the development of economic policy analysis capacity, and has been an active contributor to the CD discourse ever since. It launched its Africa Capacity Indicators initiative in 2011 to serve as a key monitoring tool to review CD progress at the continental level.

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Can donors do better
in public sector
capacity development?



Can donors do better in public sector capacity development?

By Nils Boesen

For decades, donors have been focusing strongly on the development of public sector capacities, such as infrastructure, service delivery and regulation. During this time, beliefs have shifted about how to approach capacity development and what the public sector's role should be in developing countries. Donors have never really viewed these two questions in tandem. While hard lessons have led donors generally to accept that context and politics matter, and that there are limits to what they can and should do, their notions about the role and governance of the public sector in developing countries have remained either naive or shaped by new unproven trends in OECD countries. The question is whether donors can contextualise their thinking about the role and governance of the public sector any more than they have. Indeed, they may contribute more to public sector capacity development by doing less, and instead concentrate more on creating space for endogenous players so they can develop alternative agendas for change that fit their realities.

Since aid began more than 50 years ago, it has attempted to develop the capacities of developing countries so they can manage their own affairs. Though development was initially seen as the result of investments that would increase output, it was always understood that bridges and roads need maintenance and that investments in water supply and education are followed by recurrent costs. By implication, the state, the government and the public sector would need the capacity to collect and manage resources as well as regulate the economy and provide safety for citizens.

Initially, capacity development was viewed as something that would happen as the result of technical assistance. After development experts demonstrated how to do something, developing countries would adapt and copy what they learnt, already having the embryos of public sectors left behind by their colonial masters. Or they would create their own system in the image of liberal or socialist welfare states.

The subsequent capacity development journey in the donor–recipient universe has been well documented (DAC 2006, Boesen and Dietvorst 2007, OECD 2011). Starting with what seemed simple, technical approaches to stand-alone project interventions, the donor community moved up the complexity ladder, internalising what had been discarded previously as external factors beyond project influence. Sector and even country-level approaches, power and politics – in short contextualisation – became the standard way of approaching capacity development. At the same time, the focus of these approaches shifted from what donors did to what endogenous actors with a stake

in organisations and systems were doing (Boesen and Therkildsen 2004, Boesen 2005, UNDP 2007, Danida 2011).

Context-sensitive, emergent approaches, in which donors supported country stakeholders in their efforts, became the dominant narrative in capacity development. Increasingly, the focus was on ownership, drivers of change (and resistance to change), change management, and the sequencing of reforms and processes.

While such a political economy approach has dominated thinking in capacity development for more than a decade, translating this thinking into practice has turned out to be difficult. Various reasons, also drawing on political economy insights have been given to explain this difficulty: that donors because of their incentives and mandates tend to depoliticise development. Or that the asymmetrical relationship between donors and recipients and skewed incentives make it impossible for donors to be 'honest brokers' of endogenous political processes from the outset (Boesen 2009, Hout 2012).

As a result, some have sought to develop more refined approaches to how donors can support endogenous processes differently (Andrews, Pritchett and Woolcock 2012). Others have suggested that donors should essentially stay away from targeted support to specific public sector reform or capacity development processes, and instead work at an arm's-length through intermediaries, who are driven by different incentives from those governing donors (Booth and Cammack 2013).

Both strands of thinking acknowledge that capacity development is a locally embedded, path-dependent process – i.e. past practices and events influence present choices – shaped and conditioned by the politics and political at hand. These messy processes lead to transformations that usually are not coherent, right, just, comprehensive or lasting – but which nonetheless are the stuff that public sector development is made of.

That is another, perhaps fundamental reason why donors have a hard time actually putting into practice the political economy approach that they preach: it entails working with politics as more than just a process. That is difficult enough, though not impossible. But it also means accepting outcomes that do not mirror donors' preconceived notions about what a public sector is or should be.

Public sector – but which kind?

Donors tend to be obsessive about three fallacies in particular when it comes to the public sector in developing countries. First, they cling to the uncritical notion that something public exists in developing countries that resembles public sectors in OECD countries, and that it can and should be governed by the rules of liberal democracies. Second, donors cling to the notion that the role of this public sector should encompass and address the same issues as those addressed in modern welfare states, even though developing countries have far fewer financial, human and political resources available. Third, they believe that new fads in OECD countries – such as New Public Management' – are also appropriate for developing countries.

As to the first point, while the separation of the private and the public may appear to be a given, it is actually a rather new phenomenon in European states, dating back to 17th century Germany where civil servants were instructed to serve the public interest, rather than only the king (Ferlie, Lynn Jr and Pollitt 2005). The distinction between the rulers' private and public interests grew out of a long process of state formation. Indeed, it took another couple of centuries for a rule-based, meritocratic Weberian public sector to develop. There were precedents in other parts of the world, notably in imperial China, but the notion of a public sphere separate from the private realm is relatively recent. So is the ideal and reality of a largely rule-based system that builds on this distinction as opposed to a traditional patronage-based system, which essentially does not see public and private as discrete realms.

The notion of hybrid states that mix patrimonial and rule-based governance mechanisms (Boege et al. 2008) captures situations of an only apparent public sector that mimics what liberal democracies display, while there are other realities 'behind the façade' (Harth and Waltmans 2007, Andrews, Pritchett and Woolcock 2012). Such hybrid structures do not change easily or quickly: citizens with rights grew out of centuries of struggle and development, particularly in cities, and rulers paid attention to the public's interests because it could be done without jeopardising their power. It is extremely difficult for donors to accept these kinds of terms operationally, however. Doing so requires that they change their mindset and accept one informed by histories and contexts that are markedly different from those in OECD countries (and from each other). It is even more difficult politically speaking: aid sells good things (effective public services, good governance and democracy); complexity, disorder, semi-authoritarian regimes and a mixed bag of success and failure do not appeal to voters or politicians.

Second, the agenda for public sector capacity development tends to be long, and includes issues such as universal health care and education, infrastructure, security, environmental management, economic regulation and justice – to name a few. But the resources available to solve these problems and move beyond tokenism are minimal: in 2010, the governments of countries such as Ethiopia, Rwanda, Vietnam and Zambia all had less than US\$100 to spend per capita (OECD 2011). In comparison, the governments of the United States and Denmark spent more than US\$7,000 and US\$17,000 per capita respectively.

If the level of absolute spending in OECD countries were equal to what many developing countries have today, there would be no welfare state, no universal health care and only a few of the other amenities offered today. Still, it is understandably hard – for donors and developing countries alike – to formally prioritise the water supply and sanitation, for example, but put the health system on hold for 20 years. As a result, capacities are overstretched – whether financial, human or political, and performance tends consequently to be mediocre across the board, with elite groups seeking private or patronage-related solutions to their needs.

Third, donors are too quick to try out unproven public management fads in developing countries – even when it turns out that these fads were less successful in OECD countries than initially thought (Pollitt and Bouckaert 2004, Schick 2004, Stevens 2004). Donors’ obsessive belief in the virtues of results management approaches – even when donor organisations are struggling with their own internal results management – is a case in point (Maxwell 2002, Flint 2003). There is an astonishing lack of reflection on research and evidence in this field, and unfortunately it makes a mockery of the demand for ‘evidence-based policy’ that is such a mainstay of donor jargon.

You cannot build a state overnight

Are donors likely to distance themselves from these fallacies and adopt a more realistic approach to capacity development support for the public sector? The debate on fragile states suggests that this will not be easy. Donors have been aware for some time now that fragile states cannot simply become effective, well-governed providers of safety and services overnight. Indeed, they and their partners from fragile states have embraced a state-building perspective that focuses on strengthening political processes, state–society relations and state legitimacy, and which explicitly recognises the need for establishing tough post-conflict priorities (DAC 2007, Statebuilding 2010). The list of priorities is broad, however. It includes safety, security, access to justice, service delivery and broad economic development – it is actually hard to detect what has been excluded from the list of priorities. There is little evidence at this point to indicate that this declaration of intent has led to the envisaged hard choices.

If donors have been unable to address these priorities in states that have been declared fragile, then it is even less likely that they will be able to apply the same perspective in states that, although currently not openly in conflict, are clearly in a period of early formation. The colonial legacy and the carving up of the world following two world wars has created many countries that are in fact states more in law than in practice. While recognised internationally, these states have not yet grown into coherent or legitimate polities that can accommodate multiple interests in a stable framework. Of course, this is a blanket statement and does not do justice to the difference between South Asian and sub-Saharan states, for example, or between states in these regions. To get an approximate idea of the strength of a state process, one would have to look back over the centuries to see how long ago stronger central authorities exercised effective power over larger areas for extended periods and thereby laid the first foundations of institutionalised state presence in a larger territory.

By no means does this path dependency make capacity development impossible to achieve, nor are processes deterministically cast in stone by history. On the contrary, capacity development happens every day, sometimes on an astonishingly grand scale and with surprising speed, and sometimes it goes in unpredictable directions and is achieved against the odds (Grindle 2004). But the embeddedness of such developments calls into question the ability of traditional donors – who

are burdened by their baggage, their political and bureaucratic incentives, and their necessary acceptance of international order, however fragile that may be at any given moment – to be effective actors in public sector development.

Fortunately, there are alternatives.

One step backward, two steps forward

The Fourth High Level Forum on Aid Effectiveness in Busan in 2011 heralded the end of the harmonisation and alignment agenda conceived in Rome in 2002 and endorsed the 2005 Paris Declaration. It also signalled an end to donors' pursuit of increasingly comprehensive sector and country-level approaches, which were expected to at least firmly anchor ownership in developing countries and encourage endogenous capacity development.

The backdrop to this development is the relatively successful growth pattern of many developing countries, which is also a clear reflection of an emerging new world order where traditional donors are no longer as important as they once were – which is essentially good news. But where does that leave donors vis-à-vis the capacity development agenda, which has not lost its relevance, after all, despite all the difficulties in pursuing it?

The good news could well be that donors have been forced more into the background, creating important space for local agendas and processes that can embrace the politics, power issues, conflicts and complexities that are part and parcel of development and capacity development. This is not to say that donors are now merely passive observers. Increasingly, they are providing access to crucial knowledge that can strengthen processes in their partners' countries and access to dialogue partners, in the North and in the South. As endogenous as capacity development processes are, they are in no way insulated from events and practices in the rest of the world. Thoughts, ideas, innovations and inspiration all matter, but how they matter is primarily shaped by endogenous processes.

Donors can also broker broader networks and bring actors together in or across sectors and constituencies. This is particularly interesting in light of the common global challenges facing both rich and poor countries, such as climate change, migration and food security – or, in short, the common challenge of creating a socially, environmentally and economically more sustainable future.

National governments are not the only stakeholders when it comes to many of these challenges, and perhaps not even the most important stakeholders. During the 2012 Rio+20 United Nations Conference on Sustainable Development, it was progressive global corporations and big cities that led the charge, as opposed to nation states, who lacked the ability to agree on significant collective goals. Indeed, solutions to global sustainability challenges will not come from governments or the traditional public sector, but rather from networks and coalitions that cut across stakeholder groups, including the private sector, urban authorities, civil society and researchers – as well as national governments, of course, but not in a leading role.

It is unlikely that bilateral government donor organisations can or are the best parties to singlehandedly support the collaborative capacities that these networks need to achieve their objectives. But they can support multi-stakeholder and multilateral organisations that can effectively take on this supportive role. There are already many examples of such approaches, such as the Global Green Growth Initiative and the World Resource Institute, though it may be too early to judge their effectiveness.

In that sense, capacity development is no longer about a narrow set of capacities derived from Weberian public management. There is still a need for many of these capacities, but the point is that they do not emerge from the traditional supply-driven approaches that have characterised the donor capacity development business. They arise because the pressure or demand for them – political and social – outweighs the resistance, and the collaborative alliances between different stakeholders is a way of encouraging this demand and pressure.

Collaborative capacities are thus highly political – otherwise they would be ineffective. Unfortunately, there still will be areas of capacity development in the context of state formation that may not be able to use these collaborative approaches. As harsh as it may seem, there seems little alternative than to continue to downscale capacity development ambitions, extend time frames, and come to grips with politics and context – but then we must also increasingly leave it to endogenous actors or specialised non-governmental agencies to do the work on the ground.

In the big picture, capacity development in the public sector should no longer be a process in which the donor conceives of a project and provides all substantial inputs, and where OECD-style good public management and governance is the starting point for assessing what a country needs.

Trying to get reform, change and capacity development to fit into the rigid matrices of predefined results should also become a thing of the past. Results matter, but the best way to get results is not through bureaucratic result-driven approaches designed to meet donors' need for accountability. The way forward, however unsettling, is to go with the grain, relinquish the desire to control, and quickly learn and adapt. If that is too difficult an agenda, then the best choice is to leave the job to others who have more freedom to act as fits best.

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Who's in charge here?
Interrogating reform resistance in
capacity development support



Who's in charge here?

Interrogating reform resistance in capacity development support

By Niels Keijzer and Piet de Lange

Negotiations towards a post-2015 framework on global development emphasise the importance of helping developing countries to strengthen their capacity to achieve sustainable development strategies through non-financial support, including technical cooperation. The question is, to what extent have external partners succeeded in reforming and improving the effectiveness of such support, especially in light of their engagement in countries that are considered 'aid dependent'? Two such countries, Cambodia and Malawi, formally expressed the need for change and, with donor financial support, commissioned studies that subsequently informed their overall development cooperation strategies that call for a need to reform current CDS practices. Owing to the combined interests of all involved, actual change remains limited.

At the time this was written in late 2014, intergovernmental negotiations were being launched to adopt a post-2015 framework on global development, with the aim of adopting a universal and transformative agenda to promote a 'life of dignity for all'. These negotiations were informed by an impressive package of advisory inputs, the most prominent of which was the United Nations' Open Working Group (OWG) on Sustainable Development Goals report. Typical of documents featuring in UN discussions on global development, the outcome document makes many references to the need for 'capacity building' – in fact the term 'capacity' features a total of 14 times in this particular case.

Marking a shift away from last decade, when increasing external finance was deemed essential to realising the Millennium Development Goals, the post-2015 discussions reflect a growing sense in the international community that achieving the new agenda will rely more on non-financial inputs than on development finance ('aid'). This conviction extends to those organisations whose core business is financing, with the World Bank proclaiming that 'it is in supporting policy reform and capacity building – rather than through direct financing – that donors and development institutions like the World Bank Group can often have the biggest impact' (World Bank 2013: 2).

While capacity development is thus likely to play a key role in a post-2015 setting, negotiations towards adopting this framework should take due account of both the achievements and challenges that are part of development cooperation's track record

in terms of supporting capacity development, as well as efforts to increase effective cooperation in this area. Indeed, the objective of ‘developing capacity’ goes back to the humble beginnings of international development cooperation. Its origin lies in the acknowledgement that sustainable development depends equally on ‘hardware’ and financial input as it does on less visible, soft and ‘human’ aspects.

Development actors generally subscribe to the following overall definition of capacity as adopted by the OECD in 2006: ‘the ability of people, organizations and society as a whole to manage their affairs successfully’. Guided by this overall definition, bilateral and multilateral donors have made separate efforts to further operationalise the concept, emphasising that capacity development goes beyond technical fixes and includes devoting attention to other key factors, such as leadership and external legitimacy (Baser 2011).

Development cooperation implies external intervention, meaning that its very presence will affect developing country capacity at various levels. For historical and statistical reasons, however, donors consider the provision of ‘technical cooperation’ as a proxy of capacity development support (CDS) and define it as ‘the provision of know-how in the form of personnel, training, research and associated costs whose primary purpose is to augment the level of knowledge, skills, technical know-how or productive aptitudes of the population’ (OECD 2010: 15).

The 2013 Human Development Report observed that between 1990 and 2012 a total of 40 countries in the South realised greater human development increases than could have been predicted from their past performance. The countries thus took charge of their own development process and strongly benefited from ‘importing what the rest of the world knows and exporting what it wants’ (UNDP 2013: 4-5). In contrast with these successful cases, studies observe that many other countries, particularly those who are considered fragile or aid dependent, do not manage to exercise strong direction and control over CDS.

Considerable research evidence also points to deficits in the way that donors provide their support, which has been criticised for being both supply driven and over-supplied, frequently tied, and insufficiently monitored and evaluated. Despite widely shared concerns and dedicated efforts to sharpen both policy and practice, independent research and evaluations show that only timid and tentative steps have been made to reform dominant approaches in this area.¹ This reform resistance stands in contrast to ongoing international discussions that promote collective reform in development cooperation. Against this backdrop, CDS became a key element of international policy discussions on how to improve ‘aid effectiveness’.

Committing on paper: international consensus on reforming CDS

Efforts seeking to improve the effectiveness of public and private resources for global development go back several decades. The Paris Declaration on Aid Effectiveness in February 2005 packaged these efforts into an ‘aid effectiveness agenda’. The central aim of this agenda is that developing country stakeholders should have full

control over the external inputs that have been provided to assist their development process, including capacity development. This focus on ownership underlines that development cooperation is essentially a negotiated relationship. Leutner and Müller (2010: 53), for example, state that 'ownership is expressed by the ability and possibility of both sides to say "no" to offers as well as to demands'. Supported by a monitoring process that followed the implementation of cooperation commitments, the Paris Declaration and subsequent declarations adopted at the high-level forums in Accra (2008) and Busan (2011) sought to function as codes of conduct and sources of peer pressure to further more effective governance of development cooperation (Keijzer 2013).

Capacity development claimed a prominent spot in the Paris Declaration, which states that: 'Capacity development is the responsibility of developing countries with donors playing a support role. It needs not only to be based on sound technical analysis, but also to be responsive to the broader social, political and economic environment, including the need to strengthen human resources' (Paris Declaration of Aid Effectiveness 2005: 5).

Three years onwards, the Accra forum recognised the importance of developing countries to build robust capacity so as to fully own and manage the development process, which requires CDS provided as technical cooperation to be fully demand driven. More concretely, it agreed that 'developing countries and donors will i) jointly select and manage technical co-operation and ii) promote the provision of technical co-operation by local and regional resources, including through South-South co-operation' (AAA 2008: 2). The third and last high-level forum in Busan in 2011 placed these commitments in a broader context of supporting developing countries in strengthening institutions.

Commitments made to reform CDS in these policy statements were thus strong and concrete, with a main focus on the ownership and management dimensions of reform. The monitoring framework included a separate indicator to track the extent to which CD-oriented technical assistance was coordinated, which implied that donors were following developing country leadership and priorities. In the preparation of the survey data, however, the indicator was interpreted liberally by the survey respondents, with technical assistance in most cases considered 'coordinated' when reference was made to government strategies. The survey analysts concluded that these varying interpretations, as well as resistance to apply the more stringent definition proposed for the survey, 'revealed quite a profound lack of consensus on valid approaches to capacity development and the meaning of the Paris commitments in this area' (OECD 2006b: 24).

This seemingly methodological disagreement reflects a wider criticism of the aid effectiveness agenda as a whole, namely that it misrepresents the formulation and implementation of development policies as a technical process aiming to generate effective interventions in support of internationally agreed development outcomes. In reality, providing effective development assistance coexists with a range of other

objectives and considerations, e.g. geopolitical, security and commercial objectives. This goes both for those setting cooperation policies as for those tasked to implement them, with many implementing agencies having developed interests of their own. Stakeholders on the 'receiving' end of development cooperation similarly balance various objectives in the management of their affairs (Keijzer 2013). While relating to development cooperation in general, these heterogeneous interests also challenge the provision of effective CDS, which was considered a key factor to support developing countries in exercising leadership over development.

Committing in practice? Evidence from two aid-dependent countries

Recent research on the management of CDS in Cambodia and Malawi, with a focus on donor-financed training and advisory support, concludes that both countries have created a 'disabling environment' that hinders the effective management and use of external support for capacity development.² Both countries are characterised by a highly politicised civil service that is part and parcel of a neo-patrimonial governance system, where civil servants do not earn enough to sustain their livelihoods, and where responsibility for service delivery has been partially 'outsourced' to external partners. Under these conditions, even when unconvinced of their change potential, governments still tend to accept CDS interventions for their fringe project benefits, which help civil servants make ends meet.

More than a decade ago, both Cambodia and Malawi formally expressed the need for change and, with donor financial support, commissioned studies that presented

Development of guidelines for technical cooperation in Cambodia

Having been on the receiving end of some of the largest quantities of CDS following decades of armed conflict and genocide, Cambodia has perhaps gone further than any other developing country in setting out written policies in the area of capacity development support. It did so with guidance provided through a series of studies that it commissioned with financial support from its donors.

Following these studies, the government adopted its 'guideline on the management and provision of technical cooperation (TC)' in 2008, which set out in detail how TC should be planned, designed, procured or recruited, managed and monitored. Among other actions, the guidelines require TC to support internally led capacity development. The guidelines urge donors to provide untied support that allows them to increasingly use regional resources and sets requirements for the use of joint management approaches. It also instructs donors to provide all details of TC for financial reporting purposes.

Source: RGC 2008.

a critical assessment of the state of play. These studies subsequently informed their overall development cooperation strategies that call for a need to reform current CDS practices (see 'Development of guidelines' box). For a brief period, some donors responded and invested trust and energy in coordinated approaches under developing country leadership, including in the area of CDS. The situation in 2014, however, shows that overall priorities were inadequately translated into practice, and that donors have largely reverted to the previous mode of providing CDS bilaterally, with limited exchange and joint action with other donors.

The research findings further indicate that formal objectives for reforming CDS, as expressed in both countries' national development cooperation strategies, are a key starting point for government reform efforts – though nothing more than that. Evidence gathered in the two countries suggests that although there is clearly an aim to reform CDS, actual government efforts to operationalise and implement this aim have been modest and mainly limited to 'sensitising' donors.

Actions that governments have committed to in the area of CDS reform, which in both cases concerned the adoption of a national strategy on capacity development in relation to public sector reform, have failed to take off or remained on the drawing board. The somewhat paradoxical result is two governments strongly focused on

Managing cooperation in Botswana

Botswana's efforts to control and manage external cooperation started right after independence. The ruling party's strategy was designed to secure the integrity of the country's domestic planning, democratic oversight and bureaucratic systems, and to prevent institutional or financial dependence.

Its central management principle was that all cooperation should be managed within the confines of pre-existing national plans. Under this system, which took shape during the 1960s and 1970s, the government negotiated with individual donors, asking them to select projects to support from the national plan and to specialise in specific sectors. It occasionally accepted projects initiated by donors, but only after it was determined that they met government priorities.

The government also refused projects where recurrent costs could not be managed by the country alone after the donor stopped giving. Indeed, it insisted that projects and personnel be located and integrated within ministries, resisting the creation of donor-led project environments. As a result, the government managed to reduce dependence on external funds through economic development, helped by the prudent fiscal management of diamond revenues, and sustain its management approach.

Source: Whitfield and Fraser 2010: 351, 354.

fundamentally changing the donor practice of providing capacity development support instead of focusing on their own national development strategy and forcing donors to align their support to it. The example described in the 'Managing cooperation in Botswana' box indicates how a strong and operational national development strategy makes a separate strategy on managing CDS redundant.

Because no-one is taking the lead in applying the management principles that will sway donors to support the government's development priorities, most donors in Cambodia and Malawi have been overly preoccupied designing CDS interventions in areas that they have selected themselves. While this may be understandable as a pragmatic approach for dispatching experts and using the allocated funds, it risks providing CDS to areas that the government considers low priority or is unwilling to change.

Furthermore, government officials are often insufficiently involved in the process of procuring or recruiting local or international advisors that feature in CDS interventions. The selection process, moreover, tends to emphasise 'objective' selection criteria such as technical skills, years of experience and academic qualifications, as opposed to 'soft' skills such as change management and cultural sensitivity. This approach by no means guarantees finding the right people for the job. In practice, moreover, advisory projects struggle to follow the leadership of governments in developing countries and simultaneously report to and pursue additional objectives set by the donors that fund them.

In addition to being donor driven, there is a lack of transparency in the objectives, features and results of individual CDS interventions, which has the unintended effect of contributing to negative perceptions and prejudices among government officials about CDS and advisors in particular (Søreide et al. 2012). In both Cambodia and Malawi, little money was spent on the independent evaluation of CDS at a national or sectoral level. But evaluation reports of individual CDS interventions are generally not publicly available, which makes it difficult to learn from past experiences and hampers accountability. This practice also risks duplicating or replicating interventions that are ineffective or counterproductive.

CDS in aid-dependent states – less is more?

The research findings on Cambodia and Malawi suggest that ineffective practices to support capacity development are by and large reproduced over time in many aid-dependent countries. The findings describe a political economy in which there are few incentives for governments, donors and their implementing partners to radically change the way they manage CDS. None of them experience the direct costs or consequences of CDS, nor do they experience any direct rewards for changes.

It is unlikely that donors operating in Cambodia or Malawi will resort to more coordinated or transparent approaches under the prevailing political conditions and demands from their headquarters to show 'results' or 'have one of your advisors in the ministry'. The research evidence also points to 'doublespeak' among those involved in development cooperation, with capacity development being both pursued as a

legitimate objective in its own right, or more instrumentally to create the conditions for 'successful' development interventions (Keijzer 2013).³

There is strong evidence that countries that have gone through strong and sustained development trajectories have done so on their own strength and initiative, while successfully appropriating external support by donors in line with their efforts. In aid-dependent countries, there is a risk that omnipresent external support instead reduces government's accountability to its citizens and decreases the incentive to generate institutional transformation (Moss, Pettersson and Van der Walle 2006, De Lange et al. 2011).

Cooperation in such countries should be partially reoriented to support different social actors in shaping a more enabling environment, while context-sensitive approaches should be applied to locate, follow and strengthen government leadership and 'drivers of change'. In addition to such a reorientation, absolute levels of support – including CDS – should be reduced so that neither governments nor donors will ever doubt where the responsibility for development lies.

Notes

¹ Please refer to Keijzer (2013) for a detailed overview of these studies.

² See Keijzer (2014).

³ The OECD recognises that 'a good deal of what the DAC scores as TC has little to do with capacity Development' (OECD 2006a: 23).

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Strengthening countries' capacity
to steer themselves:
experiences from think tank
and knowledge network
support programmes



Strengthening countries' capacity to steer themselves: experiences from think tank and knowledge network support programmes

By Volker Hauck and John Young

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Think tanks are increasingly seen as catalysts to strengthen a developing society's capacity to build ownership for country-driven processes and steer itself by enhancing the quality of the policymaking process. This chapter¹ focuses on approaches for supporting think tanks to enhance their capacities for better policy engagement, and identifies the challenges they face in bringing research into policy and practice. It describes how past lessons on building the capacity of individual think tanks has evolved into a broader approach that aims to build networks of think tanks and to support collaborative work, and most recently into an integrated approach that supports policymakers and intermediary organisations as well as the knowledge producers themselves.

Think tanks and the knowledge networks in which they are embedded are understood here as a 'function' that is performed within society to use research-based evidence to engage in policymaking processes and influence policymaking. This function can be located within universities, NGOs, ministry departments, the media, foundations, consultancy firms, policy and research institutes (often simply called 'think tanks') or in dedicated departments within bigger organisations, including the private sector.² Their size can vary considerably, ranging from a three-person department within a government organisation to institutes with 200 persons and more. Important factors for these 'think tank functions' to evolve are the level of intellectual and financial independence of the organisations and the political-economic contexts in which they work, as will be discussed below.³

Think tanks emerged as important players in US policy development at the end of the Second World War. Since then they have multiplied rapidly, initially in developed countries, but over the last couple of decades in developing countries as well. There are today close to 7,000 worldwide according to the latest Global Go To Think Tank Index Report.⁴ Some think tanks have existed in developing countries for several decades (for example the Indian Institute for Economic Growth, founded in 1958⁵), so awareness of the importance of think tanks is not necessarily new. However,

supporting the development of think tank capacity within the developing world is a fairly recent phenomenon with valuable experiences collected over the last 15 years or so.

Factors affecting think tank functions

Policy processes, comprising policy dialogue, policy formulation, policy implementation and review are highly complex and non-linear. They are also often perceived as messy by the stakeholders themselves. A multitude of actors are usually involved from the public, non-governmental and private sphere, each bringing their own interests, objectives, concerns, opinions, expectations, evidence or interpretations. Issues pertaining to policy are contested, debated and negotiated. They can either take place in public, involving the press, public forums or parliamentary processes, or can be organised within smaller more dedicated settings such as theme-specific working groups of a ministry, closed-door negotiations between interest groups or individual consultations. Processes can be a one-off event or be spread out over years before a consensus is reached. The way a consensus is implemented might trigger further rounds of policy dialogue, contestation, reviews and negotiations.

The ability of think tanks and other knowledge providers to engage in policy processes through evidence-based research depends on a range of internal as well as contextual factors. Depending on origin and mandate, some might see their role in the policy process rather as advisory or informative by bringing evidence-based research into the dialogue within smaller circles, while others take a more action-oriented, or policy advocacy role with targeted engagements in public.

From research about capacity development and studies and evaluations about think tanks, the following properties seem to determine what an effective think tank needs to do in order to influence policy:⁶

- Focus on specific policy problems and formulate clear objectives on how to address them. Engage closely with policymakers throughout the policy process (identifying the problem, doing the research and drawing out recommendations for policy and practice).
- A good understanding of the political environment and factors which may enhance or impede uptake, and the ability to develop a strategy on how to feed policy-relevant information into the institutional levels.
- Building 'antennae' to anticipate and signal changes and respond to them in time, and an ability to innovate and adapt internally to respond to the changing nature of a policy process.
- Investments in outreach to build strong relationships with key stakeholders and to communicate often highly sophisticated evidence-based research in a synthesised manner to policymakers, the media, civil society organisations or professional associations.⁷
- For think tanks with a mandate to engage in policy processes independently, the ability to mobilise fairly flexible resources for engagement is most important.

- Developing and keeping a ‘unity of purpose’, i.e. having the different organisational capacities⁸ in place which bring the different disciplines mentioned above into a coherent entity that can deliver.

Each think tank has its own history and background, legitimacy, preferences or dependencies that influence its ability to relate to other actors in the policy process. Some think tanks are actually set up by stakeholders with very strong interests including the media, political parties and private companies and are clearly not independent. Think tanks in developing countries with a mandate to engage in policy processes independently face the problem of small markets for evidence-based research, or policy space that is highly controlled by interest groups or elites having a mix of political, economic and ideological stakes. Think tanks need to be able to navigate the politics of policy processes if they are to be effective.

Antagonising a client or a financing institution might imperil the entire organisation. As a rule of thumb: the less a think tank has access to flexible funding, the less it can play an independent role, explore new areas, research innovative solutions or proactively engage in policy processes based on its own insights. The more it has to deliver against service delivery contracts or serve the work programme of particular organisations, the more it risks developing towards a consultancy firm without its own agency. The ability of a think tank to organise a healthy mix of institutional core and long-term programme funding supplied, for example, by government, private sector or international development agencies combined with short-term market-oriented service delivery contracts, determines the likelihood of an organisation to stay independent and survive in the policy arena.

Beyond these issues, several other factors can affect the development of an effective think tank function. The following four are worth highlighting. First, limited human resources to undertake research at an affordable price can be a major impediment to effective think tank engagement. Think tanks in poor countries often compete with the private sector and international development agencies for highly trained experts in a resource-poor labour market. Second, the availability of reliable statistical data and general information is often a serious bottleneck in developing countries, which might require think tanks to invest considerable resources into generating these. Third, there are in all countries a raft of legislation, rules, regulations and norms of behaviour, which influence the ability of think tanks to generate and policymakers to use research-based evidence. For example, in Indonesia there is no legal mechanism for government organisations to commission research from non-government organisations like think tanks, and strong incentives persist in the bureaucracy to simply obey instructions, rather than use research-based (or any other evidence) to question politically motivated decisions. Fourth, international development agencies can become a problem if their support is not adequately tailored to a national context, for example, by funding certain donor priorities, which might draw attention away from topics felt to be more important by national stakeholders.

Strengthening think tanks – from supporting organisations towards multi-faceted approaches

Supporting the development of think tank capacity is more than financing the production of research outputs, something that international development partners have done for many years already. Support has meanwhile focused additionally on the development of sustainable organisational capacities of think tanks and in particular on their ability to engage effectively with the wider policy environment. This shift in thinking marks a change from focusing on single organisations to adopting multi-actor approaches that seek to bring about change among both the producers and consumers of knowledge. To really strengthen the use of research-based evidence it is necessary to strengthen the capacity of policymakers to use it. The assumption underpinning this idea is that endogenously produced evidence is indispensable for the development of appropriate domestic policy leading eventually to the development of a society's capacity to steer its own course effectively. A further assumption is that, over time, demand from national and regional policymakers will increase the market for evidence-based research allowing such think tanks to function fully within their own context without any further dependence on external support. In short, a sustainable functioning 'beyond aid' scenario.

Capacity development support can take different forms, some managed by the grantor, others managed by the grantee. The Ghana Research and Advocacy Programme (G-RAP), for example, is funded by several donors through a pooled funding arrangement. G-RAP offers access to multi-annual institutional core grants to research and advocacy organisations with an established track record of influencing public policy processes.⁹ There are also funders providing grants for specific programmes or projects or support for collaborative work amongst Northern and Southern knowledge institutes, managed by the grantees. Though conviction has grown that providing core funding alone might be relevant for some organisations, others may wish to have more guidance or exposure to new ideas and ways of working. This applies in particular to start-ups or institutions cut off from exchanges with peers or other collaborators. They might benefit from a combination of core funding with different forms of technical assistance such as training, mentoring and coaching, scholarships, study tours or peer exchange.

A next level of sophistication has been the development of multi-faceted support approaches that provide a menu of support options where the choice of support to be received is largely at the discretion of the funded think tank. The Think Tank Initiative (TTI), for example, focuses on strengthening research methods and skills, policy engagement, and communication and organisational effectiveness. It combines core funding with supplementary funding for collaborative programmes designed and proposed by a grantee and their local partners (the so-called matching fund, which is composed of think tank funds plus a top-up provided by TTI) and with more traditional instruments such as workshops, training and coaching, which are provided on demand to grantees. This allows the think tanks to tailor the assistance to their needs, insights and context.

International development agencies have realised that broader support to think tanks and the knowledge sector can only work through demand-driven and participatory approaches. Grantees or recipients of support should be in the driving seat, choose the support options fitting best with the think tank and decide on how to use the funding within their organisations – which can take very different forms, from hiring new staff and investing in the communication infrastructure to financing new research, for example. The question is how much hands-off a support approach should be – and can be. Where donors are unable to act hands-off, because they have to work through narrowly defined project approaches with tight deadlines and result schemes, the lessons learnt are to better refrain from assistance. By their very mandate, independent think tank capacities are required to act independently, proactively, flexibly and responsively.¹⁰

Targeting the knowledge sector at large

The Australian government-funded Indonesia Knowledge Sector Initiative (KSI) is the largest and most ambitious programme ever designed that has adopted a process of developing an entire knowledge sector. This knowledge sector is understood to comprise a multitude of endogenous organisations and their networks, which produce and process evidence-based knowledge for better policymaking. The programme constitutes the next level of sophistication in support of better evidence-based policymaking.

The KSI design document describes a 15-year programme, and the approved budget is AU\$100 million for the first five years. The programme aims to strengthen the capacity of the knowledge sector to produce evidence to inform priority social development issues, which aims to ensure that Indonesia has the capacity to develop effective and socially accountable policies that meet priority development needs. The programme recognises that this will take time and has an explicit three-phase approach to gradually build up capacity that is sustainable (see Table 1 below, which summarises the overall programme approach as described in the programme design document).¹¹

The programme has been running since May 2013 and has already finalised agreements to provide core funding and technical support to 16 think tanks, including university-based research units, classical independent think tanks and organisations more involved in using research-based evidence from other sources to engage with policy. The supply side has benefitted from the results of a two-year pilot project managed by the Asia Foundation, which supported eight think tanks, so the approach was already well understood, and other think tanks were keen to join the programme.

Progress has inevitably been slower on the demand side, which was not included in the pilot project, but there are government units keen to experiment with improved approaches that use existing or commission new research-based evidence. A number of intermediary organisations have also been identified, and mechanisms to support demand-side and intermediary organisations are being developed. Capacity development is a key component in all of these activities, and on the supply side the

Table 1: The Indonesia Knowledge Sector Initiative											
Goal	Indonesia has the capacity to develop effective and socially accountable policies that meet priority development needs.										
Purpose	Indonesia's knowledge sector produces evidence to inform priority social development policies.										
Components											
Supply	Demand	Intermediary	Enabling environment								
Selected organisations generate and communicate high-quality evidence to relevant policymakers	Selected government policymakers effectively demand and use high-quality evidence to inform social development policy	Selected organisations effectively translate the findings from research into policy options and policy options feed back into research	Important systemic and regulatory barriers to an effective knowledge sector are identified and mitigated								
<table><tr><th>Phase 1 (five years)</th><th>Phase 2 (five years)</th><th colspan="2">Phase 3 (five years)</th></tr><tr><td><ul style="list-style-type: none">– Build up supply of high-quality research– Working dialogue on a national vision for knowledge sector development– Identify priority policy reforms– Start building constituents to advocate for priority reforms– Provide sustainable funding for research organisations– Commission studies to further investigate the sector, e.g.:<ul style="list-style-type: none">– Revitalising or establishing a national research institute– GOI funding for research– Entry points for relevant civil service reform</td><td><ul style="list-style-type: none">– Assess investments from the initial five years– Build supply, support to select policymakers, ongoing policy reforms and build constituents– Foster broader political will for the use of evidence by demonstrating knowledge-to-policy successes– Decide on investments to improve the enabling environment based on analysis and exploration in the first phase– Provide organisational assistance for national knowledge agencies– Expand regional and subnational programmes</td><td colspan="2"><ul style="list-style-type: none">– Strong supply of high-quality research in select areas– Strong demand for evidence among selected policymakers– Broader political will for the use of evidence in policymaking– National strategy for knowledge sector support– GOI provides adequate funding for non-government research organisations– Functioning national research institute– Civil service structure support knowledge-to-policy transfer– Enhanced international partnerships</td></tr></table>				Phase 1 (five years)	Phase 2 (five years)	Phase 3 (five years)		<ul style="list-style-type: none">– Build up supply of high-quality research– Working dialogue on a national vision for knowledge sector development– Identify priority policy reforms– Start building constituents to advocate for priority reforms– Provide sustainable funding for research organisations– Commission studies to further investigate the sector, e.g.:<ul style="list-style-type: none">– Revitalising or establishing a national research institute– GOI funding for research– Entry points for relevant civil service reform	<ul style="list-style-type: none">– Assess investments from the initial five years– Build supply, support to select policymakers, ongoing policy reforms and build constituents– Foster broader political will for the use of evidence by demonstrating knowledge-to-policy successes– Decide on investments to improve the enabling environment based on analysis and exploration in the first phase– Provide organisational assistance for national knowledge agencies– Expand regional and subnational programmes	<ul style="list-style-type: none">– Strong supply of high-quality research in select areas– Strong demand for evidence among selected policymakers– Broader political will for the use of evidence in policymaking– National strategy for knowledge sector support– GOI provides adequate funding for non-government research organisations– Functioning national research institute– Civil service structure support knowledge-to-policy transfer– Enhanced international partnerships	
Phase 1 (five years)	Phase 2 (five years)	Phase 3 (five years)									
<ul style="list-style-type: none">– Build up supply of high-quality research– Working dialogue on a national vision for knowledge sector development– Identify priority policy reforms– Start building constituents to advocate for priority reforms– Provide sustainable funding for research organisations– Commission studies to further investigate the sector, e.g.:<ul style="list-style-type: none">– Revitalising or establishing a national research institute– GOI funding for research– Entry points for relevant civil service reform	<ul style="list-style-type: none">– Assess investments from the initial five years– Build supply, support to select policymakers, ongoing policy reforms and build constituents– Foster broader political will for the use of evidence by demonstrating knowledge-to-policy successes– Decide on investments to improve the enabling environment based on analysis and exploration in the first phase– Provide organisational assistance for national knowledge agencies– Expand regional and subnational programmes	<ul style="list-style-type: none">– Strong supply of high-quality research in select areas– Strong demand for evidence among selected policymakers– Broader political will for the use of evidence in policymaking– National strategy for knowledge sector support– GOI provides adequate funding for non-government research organisations– Functioning national research institute– Civil service structure support knowledge-to-policy transfer– Enhanced international partnerships									

programme has been liaising closely with and learning from the experiences of the TTI, described above. A broad-based study of organisational development globally and nationally has been commissioned, which will include close collaboration with the supply-side organisations to identify sustainable approaches to organisational development for intermediary and policy organisations.

While still very early, some positive results of this more integrated approach are emerging (see the case study in the 'PUSAD' box). Supply-side organisations have been involved in the exploratory work on the demand side, and are benefitting from the opportunity to work more closely than they have up to now with policymakers. Other supply-side organisations are benefitting from inputs to capacity-building events, especially so far on communications from intermediary organisations in the media sector, and are placing publications in more mainstream media than they have been able to previously.

The case study highlights the importance of having a deep understanding of how policy is made in the Indonesian context, including the incentives driving senior officials to use evidence-based research to engage in policy discourse with a broader community. One of the assumptions of the think tanks participating in the programme, as expressed by PUSAD's senior leadership, is that a changing context of democratisation, decentralisation and a stronger role of parliament is creating space for policy dialogue, the breaking of traditions and old habits, and a growing demand for mobilising and using evidence in the policy process. This is an ambitious path and will take time but can lead eventually to a 'beyond aid' situation whereby independent think tanks can source their work from national and regional markets, including government, civil society organisations and the private sector.

Lessons learned

Over the past 15 years or so, think tanks have been increasingly identified as catalysts for country-driven development processes. A substantial number of credible institutes have emerged in different political-economic contexts to support policy processes through evidence-based research.

During these years, support to think tanks by international development agencies has evolved from financing research outputs towards strengthening organisational capacity and their ability to interact effectively with their wider policy environment. Evidence from the TTI programme suggests that such approaches can be effective as long as in-country leadership can be combined with trusted international financing, peer learning or mentoring.

More recently, support programmes have focused on strengthening multi-actor approaches that seek to bring about change among both the producers and consumers of knowledge. This change in focus is driven by the assumption that think tanks and their knowledge networks are a means to strengthen ownership and multi-actor engagement in social change, can help to create feedback loops within policymaking and thereby enhance the quality of the process and thereby help developing societies to increasingly steer themselves. A further assumption is that such support can lead gradually and over time to a 'beyond aid' situation, whereby think tanks can source their work through demands from national and regional markets (government as well as corporate) for evidence-based research.

PUSAD Paramadina – The Center for the Study of Religion and Democracy

Indonesia, with a population of around 250 million, is the world's fourth most populous country and with hundreds of distinct ethnic and linguistic groups spread over nearly 1,000 islands, one of the most geographically and culturally diverse. While nearly 90% of Indonesians are Muslim, and nearly 100% speak Indonesian, the transition from colonial rule to independence has been marked by religious, political and ethnic conflict. The Center for the Study of Religion and Democracy (PUSAD) is one of 16 KSI-supported 'supply-side' partners in Indonesia. PUSAD aims to promote peaceful interaction between religion and democracy in Indonesia by developing ideas and best practices related to this aim.

And it has been quite successful. Research in 2008 on religious conflict patterns over the last 20 years was used by the research and development unit of the country's Ministry of Religious Affairs as the basis to develop further research on religious affairs in Indonesia. More recent research on how the Indonesian police deal with religious conflicts, which revealed that the timing of police interventions is critical, was well received by the police. During the book launch in Jakarta, Police Brigadier-General Boy Rafli said that there is much the police could learn from the book about how to address religious conflicts. Further press releases and policy briefs are planned.

Future work will include studies on the official status of religion, vigilantism, hate speech, and the roles of the state and civil society, and capacity building for peace activists and mediators to build bridges between the state and society and among various religious communities in Indonesia.

PUSAD goes beyond academic research on the roles of the different stakeholders because it believes that peace does not come by itself. It identifies success as well as failures, and takes a balanced view. For example, PUSAD believes that the police should not be subjected to disproportionate criticism just because it is a state agent. PUSAD maintains good relations with both the perpetrators and victims of religious conflicts and with the police. PUSAD also works with the victims of such conflicts to see beyond their own situation and use their experience to become peace actors, actively involved in advocacy related to larger issues of injustice, religious freedoms and human rights.

PUSAD's biggest challenge is finding the time and resources to strengthen its own capacity to challenge the status quo. The attitudes and behaviour of religious and political institutions are very well established, and it is difficult to influence change.

Most donors want their funds to be devoted to specific research projects, leaving little for organisational capacity building, which has made it very difficult for PUSAD to develop its own strategic research and advocacy programme. KSI recognises

that building organisational capacity is fundamental to establishing strong research institutes that can not only produce high-quality research and effective communication products, but also engage effectively with policy processes.

KSI funding and technical support has enabled PUSAD to take a step back from the pressure of its day-to-day work, reflect on its organisational needs, and invest some time and energy in really thinking through the direction of its organisation and the means to achieve these needs. PUSAD has repeatedly expressed its gratitude for such an opportunity. KSI support will enable PUSAD to become a financially sustainable research institute that can determine and attract long-term funding for its own research and policy advocacy programme without depending on short-term donor funding for research, which rarely goes beyond conducting baseline or diagnostic studies for their project.

But that is only part of the story. KSI is also working to identify opportunities to collaborate with 'demand-side' partners in a number of sectors at the national and sub-national levels, such as health, social protection, governance and decentralisation. As a start, KSI has been supporting the Policy Analysis Team at the National Planning Agency (Bappenas) in building evidence into the National Medium-Term Development Plan. Discussions have also started with the National Institute of Public Administration (Lembaga Administrasi Negara/LAN), an important organisation that could potentially have a role in brokering research-based evidence to policymakers in Indonesia.

In the medium term, PUSAD managers hope that KSI will facilitate collaboration between supply-side organisations to strengthen their ability to provide useful research-based evidence for policymakers. In fact this is already happening. KSI supply-side organisations have jointly initiated a series of discussions on the implementation of the newly enacted Village Law. They aim to provide critical recommendations to the new government and oversee their implementation. This is the most exciting aspect of working for KSI – the opportunity to work with all the stakeholders together to help to build a more vibrant and effective knowledge sector.

This case study was written by Irene A Kuntjoro, KSI Programme Officer, based on an interview with Husni Mubarak, Programme Manager at PUSAD Paramadina on 29 August 2014.

This evolution of approaches is rooted in many lessons learned from providing support to endogenous capacity development processes, which the international community has learned (but often not practiced) over the last 30 years and more. These are:

- the importance of country ownership and leadership;
- the creation of space for local capacity to emerge, adapt or change;

- the recognition that each (fragile) society has resilience capacities which is important to discover, connect with and to build on;
- that international development agencies are most useful when they behave prudently and supportively, rather than playing the first fiddle; and
- capacity development also takes place in highly complex political-economic contexts, so supporters of think tanks must pay particular attention to this.

It is still early days to judge whether these more holistic approaches targeting the knowledge sector will lead to more than the strengthening of think tanks' organisational capacity, i.e. a situation of sustainable country-driven policy processes 'beyond aid' with demand and markets for evidence-based knowledge originating from governments and the corporate sector. Promising steps are being made in the Indonesian KSI programme targeting the exchange of think tanks with their policy environment, developing feedback loops and supporting social interactions to enhance the quality of the policy process.

Notes

- ¹ The article also draws on material produced by Ajoy Datta (ODI) on think tank capacity support programmes for the TTI evaluation. The authors thank Anthony Land, Heinz Greijn and Jan Ubels for their comments.
- ² For a useful discussion on what think tanks are see: <http://onthinktanks.org/topic-pages/topic-page-think-tank-definitions>. Think tanks can never be entirely independent in the author's view, though there are gradations of dependence depending on the financial and non-financial ties an organisation has with its environment. A diversity of organisations, with different backgrounds and levels of dependencies, are exercising this 'think tank function'. Therefore, they can ensure that different types of knowledge and perspectives are produced for consumption in the policymaking process.
- ³ For ease of reference, we will call these different types of organisations 'think tanks' throughout this text.
- ⁴ See <http://gotothinktank.com/the-2013-global-go-to-think-tank-index-ggтті>.
- ⁵ See <http://www.iegindia.org/>.
- ⁶ See Young 2008; Baser and Morgan 2008; Young, Hauck and Engel 2013. <http://ecdpm.org/publications/report-evaluation-think-tank-initiative>.
- ⁷ Though the extent to which such research alone can make a difference should not be overestimated. Emma Broadbent's study on the role and understanding of 'evidence' in African policy debates, *The Political Economy of Research Uptake in Africa*, shows how policy discussions are influenced by arguments, big ideas and visions, while facts and figures are used to feed such an argument-led discourse (see <http://onthinktanks.org/2014/08/14/a-new-political-economy-of-research-uptake-in-africa-overview>, 14 August 2014).
- ⁸ These would include capacities in the domains of management and finance; building, running and reviewing programmes; innovation; communication; fund raising and the ability to react rapidly and flexibly, also under stress.

⁹ <http://www.g-rap.org>.

¹⁰ See also 'Supporting Think Tanks' (<http://onthinktanks.org/topic-pages/topic-page-supporting-think-tanks>).

¹¹ See <http://aid.dfat.gov.au/business/Documents/indo-ks-design.pdf>.

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Young, J., Hauck, V. and Engel, P. (2013) *Final Report of the External Evaluation of the Think Tank Initiative*. ECDPM & ODI. <http://ecdpm.org/publications/report-evaluation-think-tank-initiative>.

This chapter also draws on the following sources:

- Work of ODI's RAPID Programme (www.odi.org/programmes/rapid).
- Work of ECDPM on capacity development and innovation (www.ecdpm.org).
- Evaluation of ECDPM and ODI of the Think Tank Initiative (www.thinktankinitiative.org).
- Engagement of ODI in the KSI programme.
- The 'On think tanks' website by Enrique Mendizabal (www.onthinktanks.org).
- Goran's musings, by Goran Buldioski (<http://goranspolicy.com>).

Private sector engagement in development partnerships and platforms



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TOSHIBA



Private sector engagement in development partnerships and platforms

By Jan Ubels and Allert van den Ham

There is a transition in the ways development results are achieved, financed and sustained. Since the 1990s, multi-stakeholder approaches have been gaining ground as a means to achieve development results. In recent years private firms have been increasingly engaging with such development processes on the basis of their direct business processes and interests. In this chapter we discuss how this engagement by and with business is changing the way pro-poor development is undertaken in agriculture, water and renewable energy. And especially how it changes the dynamics in partnerships and multi-sector and multi-stakeholder platforms. We draw key lessons and conclude that the changed dynamics can help development processes to be better locally owned and gradually move away from dependency on aid.¹

Aid and capacity development are in transition. Capacity development practice has moved away from a focus on strengthening the capacity of individual organisations. In search for increasing scale and institutionalisation, development programmes are increasingly working with larger multi-actor systems. In addition, increasing private sector engagement in these multi-actor approaches and the introduction of market-based solutions are rapidly changing the ways that development is occurring and undertaken. The role of donors is also changing. While the development finance landscape diversifies and the proportion of traditional official development aid (ODA) diminishes, donors are increasingly seeking to use ODA to leverage private sector investment. NGOs realise that engagement with both private and public actors is essential for structural results. 'Market-based solutions' are increasingly recognised for their potential effectiveness, outreach and financial sustainability. Private sector, NGO and public actors are stepping over traditional divides and increasingly cooperating and jointly shaping new solutions in water, food, energy and the environment. These dynamics are also transforming the ways that capacity development takes place and is supported externally.

The growing popularity of multi-actor and private sector engagement is also generating a Babel-like growth of terms. Multi-actor, multi-sector, processes, platforms, networks, value chains, alliances, partnerships – an array of different terms and logic are used in ways that often create confusion about principles and

On multi-actor² processes, platforms and partnerships³

Process

A *multi-stakeholder process (MSP)* is a usually time-bound and deliberate interactive process in which multiple actors meet to discuss a development challenge and develop shared priorities, perspectives or agreements. An MSP can be supported by an external facilitator. It may be a one-off activity or consist of several follow-up sessions.⁴

Partnership

A *multi-sector or public-private⁵ partnership (PPP)* may be defined as a voluntary, collaborative arrangement between actors from two or more domains of society, i.e. state, market or civil society, which have an institutionalised, yet non-hierarchical structure and strive for a joint goal.⁶ Partnerships are instrumental to directly produce joint results, products or services. The parties thus have a joint set of goals and carry out specific tasks, jointly assuming risks and responsibilities and sharing competencies. A partnership usually is characterised by a contractual basis, pooling of resources and some form of joint management, possibly through a 'lead partner'.

Platform

A *multi-stakeholder platform* is an ongoing mechanism or 'setting' in which actors meet regularly to foster exchange, promote joint strategy development and foster synergy in a continuously evolving way.⁷ A platform can have a representative function and is chaired by a selected participant or party (sometimes the government) or an external person. Usually it does not entail joint 'implementation' (such as in partnerships) but focuses on discussion, consultation, joint strategizing, coordination and influencing.

drivers (see the box above for an explanation of how we use some of these terms in this chapter).

The move towards multi-actor approaches and increased engagement with businesses is transforming development practice. As an international development NGO active in food, water and energy in more than 30 countries, at SNV we are living and co-shaping that changing practice day by day. This chapter focuses on changes in two of the above forms: partnerships and platforms, and how these encourage the transition towards self-propelling dynamics and capacities in the societies concerned.

A new generation of public–private partnerships

In developed economies, conventional PPPs are used to bring in the expertise and efficiency of the private sector for the provision and management of public services and to attract additional private sector financing where government funding is short. Especially the former has also been applied in the context of development assistance, for example in managing water utilities.⁸

The term ‘base of the pyramid’ (BoP), used to show the economic opportunities that the poorest billion(s) of the world’s population represent, gained ground around the turn of the millennium.⁹ Around that same time the concept of ‘inclusive business’ (IB) started to reorient thinking on private sector engagement in development.¹⁰ While ‘private sector development’ had been a recognised element in the development repertoire, the logic behind IB emphasised the ways in which business can help to achieve social and public development goals. A decade into the millennium and it was more generally recognised that commercial, social and public values could go hand in hand.¹¹ Basically IB builds on a possible win–win situation between a lead firm and poor segments of the population that can be part of the IB proposition as producers, consumers, employees or distributors.

The notion of IB, however, is not necessarily easy to realise for firms alone. This dilemma became the foundation for a new generation of civic–private and public–private partnerships (both captured under the abbreviation PPPs). While certain companies had started to engage with development earlier on the basis of ‘corporate social responsibility’ (CSR) or from a philanthropic angle, in this new generation of PPPs they are motivated by their primary business interests. They express commitment to do business ‘responsibly’ in ways that contribute to broader positive societal development. And thus also strengthen their ‘social licence to operate’. Another driver is an increased awareness of environmental issues that pose major societal threats and also influence their own primary business and continuity.

Governments and NGOs, meanwhile, started to realise that there are benefits to be gained from the private sector’s engagement in addressing societal problems, such as food security and quality, scarcity of energy, water supply, water use and environmental management. Lead firms can be important drivers in making agricultural chains more sustainable and inclusive. Industrial water users can become proponents of good watershed management and efficient water use. This new generation of public–private and civic–private partnerships occurs at all levels (see ‘An evolving PPP practice’ box below for examples).

Increasingly donors are starting to shape funding instruments that stimulate such partnership programmes. The Netherlands government, for example, has created the Sustainable Water Fund and Facility for Sustainable Entrepreneurship and Food Security,¹² both of which explicitly aim to finance this new generation of PPPs. The German government and GIZ are investing in PPPs around ‘water stewardship’,¹³ and the Australian government and IFAD are moving into PPP programmes as well.¹⁴

An evolving PPP practice at different levels

- At the *global* level, certain international food companies (retailers, processors and traders) engage with civic actors to develop sustainability standards and implement these in their supply chains. Examples have been documented on palm oil, coffee, banana, cotton and marine products, for example.¹⁵ Recently these developments have also started to touch on staple food commodities such as rice and cassava. Similarly, large international firms are now cooperating with NGOs and knowledge institutes in the water domain as they commit to reduce their ‘water footprint’ and help establish better water management in the catchments where they have their plants or source their raw materials.
- At the *national* level, lead firms may be supported to develop their own IB projects, in many cases also going beyond international standards, seeking to create local win-win situations and address local social and environmental issues. For example, in Uganda SNV helped the largest oilseed processor to develop IB contract farming and outgrower activities.¹⁶ In Nicaragua, with financing from the Dutch PPP Facility for Sustainable Entrepreneurship and Food Security, SNV is presently helping a lead coffee exporter to source from small farmers and ‘green’ the coffee chain. In such programmes, local service providers and knowledge institutes are also engaged in order to make the required services and expertise more sustainable.
- The IB concept can be successfully applied at the *local* level and with small and medium-sized enterprises as well. In Lao PDR, SNV worked with large numbers of small rice mills to make their sourcing of rice from local farmers more inclusive by providing agricultural extension and other services.¹⁷ And in biogas and sanitation, implementation by state and NGO actors has been replaced by local entrepreneurs, who are making a business out of providing technology and services to poor people and who are being paid by these poor people.¹⁸

In all these cases, civil society organisations and enterprises join forces to bring about specific changes and results. Governments are also actively involved in two ways: as financiers and donors and as partners stimulating new approaches, strengthening governance and changing regulations. The resulting improved collaboration at the national and local levels represent an important emerging capacity in the societies concerned: capacity to better include poor people and spread inclusive and sustainable approaches.

What we learn and take from such projects:

- *Business can indeed be a driver of effective and economically and financially sustainable solutions.* The development sector was hooked on grants and subsidies for many things it did, but it has now started to realise that constructing toilets, for example, or providing agricultural extension, even to poor people, can frequently be easily stimulated on a commercial basis and through regular saving and microcredit and other credit mechanisms, thus laying the basis for ongoing sustainability.¹⁹
- As water scarcity and the competition for the supply of agricultural commodities increase, so does the *readiness of business to engage with inclusion and sustainability issues*. Inclusive business is becoming the ‘new normal’. Attracting co-investment from private actors remains challenging, however. Contrary to some common myths, *the market does not necessarily innovate or develop pro-poor solutions by itself*.²⁰ In agriculture and water management, innovation generally comes from subsidised spaces, and public, civic and knowledge actors play important roles in these processes. Tested innovations can then be scaled with the help of market forces.
- *A mixture of public and private finance remains necessary* to develop inclusive propositions and for important pre-competitive and public good issues.²¹ The growing connection between public funding and private finance in PPPs also teaches us more about the effective use of grants and subsidies to ensure that they do not crowd out private sector dynamics, for example, that the right beneficiaries are more precisely targeted, and that the purpose and the size of grants do not distort the market.
- Though one can criticise some large international PPPs, because they could potentially upset local dynamics and overpower stakeholders,²² there is an interesting ongoing trend to concentrate *more on local issues and local PPPs*. Global certification schemes are important, for example, but they need to be realised by local businesses and civic and public actors that shape local practices and solutions so that they fit the specific situations and challenges. This is an important development as it strengthens local accountability, ownership and social capital.

All in all, ‘market-based solutions’ have the potential to be strong drivers of sustainability (they generate an income for one or more parties) and replication (more actors can take them up if the right investment and knowledge conditions are met). But they are not necessarily inclusive. Pioneering and scaling up inclusive business models require a specific effort and an enabling environment. This is where another form of multi-actor engagement, namely platforms, enter the picture.

From MSPs to ‘industry platforms’

In agriculture and renewable energy, SNV has witnessed and supported another major transition over the last 15 years or so, namely a transition to ‘industry platforms’. Not so long ago, multi-actor processes and platforms were often dominated by civil society, government agencies and certain key stakeholder groups, while the commercial sector

was hardly visible. When SNV started to engage more structurally with the private sector in value chain development just over 10 years ago, our advisors learned quickly to adapt their way of working even at the most practical levels. No businessperson would put up with the lengthy meetings and workshops that the development sector was used to. To engage business, platform meetings had to be short and focused, for example 30-60 minutes at the end of the day. This was a significant shift in the style and culture of such meetings.

Gradually MSPs in agriculture and renewable energy started to develop into what we now tend to call 'industry platforms'. The initial success of IB and BoP projects made development actors engage more with business actors, and related market-based solutions. It was generally recognised that delivering pro-poor results needs to be combined with better overall chain performance; one cannot be seen in isolation from the other. As a result, industry platforms now seek to engage a variety of actors from the whole value chain: from small local producers, to lead firms that process or trade the produce, service providers, NGOs, research institutes and government. They seek to develop joint strategies for the overall development of the sector and for achieving social and sustainability goals.

In recent years, donors have started to modestly²³ support the development of platforms as vehicles for change. We can learn and take the following from our growing experience with industry platforms:

- Industry platforms can indeed help to *build a bridge between commercial and pro-poor endeavours*. More specifically they can:
 - Build up shared intelligence between actors and increase the capacity to develop shared strategies and priorities.
 - Strengthen trust between actors that were often antagonistic before and encourage dealmaking and increased economic efficiency.
 - Influence government and gain appreciation as vehicles for sector organisation and development.
 - Help create standards and regulation for sound business with a focus on both social and environmental responsibility.
 - Boost innovation and scale effective solutions.
- Having proven themselves initially successful, some platforms are now moving beyond the pioneering phase and entering a '*second stage*' of development. In this second stage, the platform organisation is somewhat formalised. It operates in a more competitive setting because the market matures. Also formal associations of specific actors may become more active and more complex institutional and financing issues are raised. Even if this does reduce some of the innovative dynamics of the first pioneer stages, such development is necessary and unavoidable.
- *Pre-competitive and public good issues* remain essential for fruitful sector development. That is why PPPs alone cannot do the trick. Infrastructure development, regulation, technology development, pro-poor policies, environmental protection and quality standards are among the key elements that help a sector develop. The government

In-country 'industry platforms' in the agricultural sector

Honey Ethiopia

Ethiopia is a major honey producer for traditional use in the country and recently also for export. A honey value chain platform was developed in 2005 (involving an increasingly large group of processors and beekeepers) for improving the value chain to export quality table honey.²⁴ The platform has become the coordinating mechanism for a range of chain improvements: the issues of medium-sized processors have been addressed to create a better market pull for small farmer producers; jointly a new export market to the EU was developed; the platform encouraged the fine-tuning and dissemination of new locally adapted beehive technology; quality standards were introduced; for beekeepers and other chain actors access to services, inputs, new technologies and market information has improved; training has been standardised; and over time the pool of in-country service providers has increased. As a result, the sector has developed rapidly. Various associations have also developed in the sector. The government is now using the platform as a key mechanism for implementing its medium-term pro-poor agricultural growth strategy for the sub-sector.

Oil seeds Uganda

In a similar kind of approach, the Oilseed Sub-Sector Uganda Platform (OSSUP) has been developing since 2007.²⁵ It operates at the national level and in four regional production hubs. Among other things, the platform has supported and shared pioneering IB models by lead processors, addressed financing issues, proposed a solution to the provision of seeds, lobbied for sector issues with the government and helped to attract donor money (IFAD and others). It is a vehicle for exchange, advocacy, innovation, business partnerships and collaboration and seen by the government as a key mechanism for sub-sector development.

Dairy Kenya

The Kenya Market-led Dairy Programme (KMDP) is a sector programme set up in 2012 that uses both platforms and PPPs²⁶ and pursues three agendas: a) efficient and competitive smallholder supply chains, b) systemic issues and innovation, and c) international business linkages and PPPs. KMDP has partnered with smallholder-owned dairy societies, medium and large-scale dairy farmers, commercial fodder producers, milk processors, training institutions, service providers and input suppliers, and local and international financial institutions and investors. As changes in the dairy chain often involve policy issues, regulatory reforms and other innovations, KMDP encourages stakeholders to work together to achieve common goals.

Similarly, in the renewable energy field SNV helps 'sector platforms' to emerge as part of national programmes in biogas and cookstoves.

in many cases cannot address these issues on its own, due to a lack of real-life engagement, expertise or manpower. Industry platforms are a major vehicle to advance such public and pre-competitive issues. They play important advocating and lobbying roles as well.

- Industry platforms are thus *becoming an (informal) institution in themselves* and represent a significant amount of built capacity between the actors concerned: the capacity to relate, to cohere, learn and adapt, act together and achieve collective results.²⁷ Experience suggests that the capacity to relate within the broader multi-actor system is essential for effective capacity growth with individual actors. As such, the industry platforms start to represent significant social capital in these societies. How and under what conditions they will be able to successfully continue to exist and maintain their dynamism beyond donor engagement is something that is being investigated and experimented with currently.

Key lessons and implications

SNV's experience so far suggests that by engaging more actively in PPPs and multi-stakeholder platforms, the private sector can help address pressing challenges, such as those related to food, water and energy, more productively. But challenges in partnerships are not always easily realised and relations in platforms not always harmonious. So, lofty words do not necessarily translate into progress and results on the ground. And research and reliable data are still scarce. Indeed, we like to highlight five conclusions and implications:

First, *from an aid as well as from a business perspective, private sector engagement in PPPs and platforms has advantages*. From an aid perspective, donor money that is used to leverage and influence private sector financing is more effective because it increases the financing available for inclusive development. Another advantage is that market-based solutions tend to be more cost effective, more sustainable, replicable and scalable than solutions that rely on NGO or government funding. Furthermore, private sector engagement in PPPs and platforms leads to improved self-regulation of sectors in terms of social and environmental standards.

From a business perspective, engaging in PPPs and platforms is interesting because it is a way to address critical pre-competitive and public good issues that firms cannot tackle alone. PPPs and platforms open up new opportunities for innovation, make it easier to enter new markets and result in a more secure supply. Engaging in PPPs and platforms also provides the firms with more legitimacy to operate in society (also referred to as 'social licence to operate').

Second, *across the agriculture, water and energy sectors pre-competitive, public good and collective action issues remain essential* for the inclusion of poor people and increased sustainability. The market is not going to solve poverty or environmental problems alone and does not necessarily create the inclusive business models that can realistically be scaled. Public and NGO engagement are and will remain vital.

Third, *new patterns of financing and funding are emerging*. Platforms and partnerships clearly create dynamics that are less dependent on grants alone, but combining public and private finance still poses challenges. The transition from aid to non-aid finance is often difficult and disruptive and can lead to the sub-optimal use of resources. Major themes for learning are: the development of effective financing and business models for various types of PPPs; financing strategies that differentiate between beneficiary groups with different asset bases; and scaled public–private financing mixes over time.

Fourth, multi-actor approaches are transforming the way we pursue change and build capacity. *Effective capacity is as much between actors as it is within*. In weak institutional environments, building more trustworthy relations and new viable propositions for collaboration helps to unleash potential from individual actors. And it builds an ecology in which the capacity of individual players can flourish. So attention needs to move beyond organisational development and formal policies, towards multi-actor dynamics, chain linkages, collaboration models, innovative business propositions and the rules of the game. The ‘delivery’ of external expertise and outputs must be secondary to the essential challenge: encouraging a dynamic environment for in-country actors to deliver results in more effective and sustainable ways.

And fifth, this changing development landscape has created new space for a category of *professional service providers* (whether commercial, NGO or hybrid) that assume five roles in which both lead businesses and public actors face limitations:

- convene, bridge, broker and link actors that would otherwise not connect;
- help to develop innovative pro-poor propositions, solutions and activities that are worthwhile investing in;
- facilitate the engagement of excluded segments of the population;
- advocate for pre-competitive, public good and collective action issues; and
- manage or facilitate complex projects, partnerships and platforms as relatively neutral, independent players.

The review of experiences in this chapter has provided positive examples of the private sector’s increased engagement in PPPs. Indeed, industry platforms can help development to move ‘beyond aid’ and strengthen capacity at the ‘system’ level – whether it is in an agricultural value chain, a biogas sector or for water in a certain geographical area. PPPs and industry platforms can help development efforts to tap into other financing streams, improve local ownership, increase sustainability and build ongoing social capital between stakeholders.

Success stories have been mixed, however, and evidence and systematic data are still limited. More work needs to be done in the areas of success factors in pro-poor PPPs and platforms; diversity in PPP and platform models and how they fit with various settings and issues; institutionalisation, scaling and ‘moving-on’; designing effective business models and financing strategies; and professionalising external support and facilitation.

Notes

- ¹ See www.snvworld.org. This article could not have been written in this form without two recent initiatives. One is a study on multi-stakeholder processes and platforms that we have initiated and are conducting with Context International Cooperation. The other is the recently established PPPLab, of which we are a founding partner together with the Partnership Resource Centre of Erasmus University Rotterdam, Aqua for All and the Centre for Development Innovation of Wageningen University. We would like to thank Fons van der Velden, Pol de Greve and Karine Godthelp (all Context) and Marieke de Wal (PrC), Sjef Ernes (A4A) and Joost Guijt (CDI) of PPPLab for their indirect contributions to this article. For the same reason we thank our SNV colleagues Sabdiyo Dido, Rem Neefjes and Floortje Jacobs as well as Heinz Greijn, Volker Hauck and Anthony Land of *Capacity.org*.
- ² The terms stakeholder and actor are both used in relation to processes, systems and platforms, for example. 'Stakeholder' focuses on the 'stake' or interest one has in an issue or endeavour. Actor is more neutral and focuses more on the fact that parties 'act/interact' in relation to the issue concerned.
- ³ This box is adapted from 'Action research on Multi-Stakeholder Processes and Platforms (MSPs) for value chain upgrading and smallholder participation – Phase I', SNV and Context International, November 2014. This study reviewed more than 15 cases of multi-actor engagement.
- ⁴ Adapted from Acquaye-Baddoo et al. (2010) Multi-actor systems as entry points to capacity development, *Capacity.org*, 41.
- ⁵ The term private is sometimes used for commercial enterprises only and sometimes to include non-governmental organisations as well. We use it in the former sense and use commercial, business or firm as a rough equivalent. In practice, the term PPP is used nowadays also for partnerships in which an NGO or knowledge institution is the main partner of a commercial player. For a concise introduction to the PPP concept, see PPPLab's Insight Series 01, www.ppplab.org.
- ⁶ Partly based on Glasbergen et al. (2007) *Partnerships, Governance and Sustainable Development: Reflections on Theory and Practice*.
- ⁷ Adapted from Acquaye-Baddoo et al. (2010).
- ⁸ See, for example, Anderson, A. (2011) *Emerging PPP trends in the water and sanitation sector*, with contributions from Jan G. Janssens, accessed on April 2011, www.bpdws.org.
- ⁹ The term BoP was first defined in 1998 by C.K. Prahalad and Stuart L. Hart and expanded upon in their books *The Fortune at the Bottom of the Pyramid* and *Capitalism at the Crossroads*.
- ¹⁰ The concept of 'inclusive business' was coined in 2005–2006 by the World Business Council for Sustainable Development and SNV as part of an innovative exploration in Latin America.
- ¹¹ Porter and Kramer coined the concept of 'shared value creation' in a famous *Harvard Business Review* article published in 2011 called 'Creating Shared Value', which argued that shared value is created by 'policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates'.
- ¹² See <http://english.rvo.nl/subsidies-programmes>.
- ¹³ See GIZ – IWASP, <https://www.giz.de/en/worldwide/27890.html>.

- ¹⁴ For Australia see, for example, <https://www.devex.com/news/australia-s-next-move-in-public-private-partnerships-85770>. And for IFAD, IFAD (2013) *IFAD and public-private partnerships, selected project experiences*.
- ¹⁵ See for example IDH / the Sustainable Trade Initiative at www.idhsustainabletrade.com or the Oxfam-Unilever collaboration at www.Oxfam.org.uk/sunrise.
- ¹⁶ For a recent critical analysis of 'inclusion' in this value chain, see Vorley et al. (2015) *Growing inclusion? Insights from value chain development in Ugandan oilseeds*. IIED and SNV. It shows that as the market matures, certain pioneering IB models have difficulty remaining attractive and competitive.
- ¹⁷ SNV (2014) *Cooperation is the key: An inclusive approach to rice in Lao PDR*.
- ¹⁸ See Gero et al. (2013) *Private and social enterprise engagement in water and sanitation for the poor: A systematic review of current evidence*. ISF Sydney.
- ¹⁹ And conversely that poorly designed subsidised activities can crowd out private sector solutions and work against financial sustainability.
- ²⁰ Except maybe for high investment sectors and for attractive customer segments (such as in extractives, mobile telephony or the pharmaceutical industry).
- ²¹ Think, for example, of investments in infrastructure, regulation and standards, environmental protection, and protecting and engaging disadvantaged groups.
- ²² See Oxfam (2014) *Moral Hazard? 'Mega' public-private partnerships in African agriculture*. Available at: <http://policy-practice.oxfam.org.uk/publications/moral-hazard-mega-public-private-partnerships-in-african-agriculture-325221>.
- ²³ And rightly so, as donor-driven industry platforms risk damaging local ownership and sustainability.
- ²⁴ See SNV (2012) *Pro-Poor Value Chain Development: Private Sector-led Innovative Practices in Ethiopia*, (ed) Piet Visser et al., Annex 1, 'The Honey value Chain'.
- ²⁵ See Mwesige, D. (2010) Working with Value Chains: Using Multi-Stakeholder Processes for Capacity Development in an Agricultural Value Chain in Uganda, in (eds) J. Ubels et al., *Capacity Development in Practice*. Earthscan Publishers.
- ²⁶ See SNV Kenya *Positioning Paper Dairy Sector* – KMDP, 2014.
- ²⁷ See the 5C framework for capacity assessment (ECDPM), as explained, for example, in Ubels, J. et al. (2010) *Capacity Development in Practice, Chapter 1*. SNV, Earthscan Publishers. For more practical operational guidance see, for example, <http://www.ecdpm.org/5Cs>.

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Development, democracy and
participation: the curious case of
social accountability



Development, democracy and participation: the curious case of social accountability

By Kaustuv Kanti Bandyopadhyay

This chapter traces the emergence of the accountability discourse against the backdrop of a growing crisis regarding the legitimacy of state institutions and a feeling of disappointment among citizens at having been betrayed by the state. It provides an overview of social accountability as an approach for citizens to exact accountability from state institutions and how it is embedded in the concepts of participation and rights. Drawing on the author's and other practitioners' practical experience, this chapter illustrates the conditions under which the social accountability approach is likely to be transformative and impactful.

A tectonic shift is taking place in the relationship between citizens and the state. Significant efforts have been made since World War II to build nation states around the world. In subsequent decades, many popular democratic governments replaced former colonised, authoritarian and apartheid regimes. The fall of the Soviet Union, which led to the creation of many new democracies in former communist states, accentuated this process of building nation states. National governments, frequently under the auspices of international development agencies, created political systems and institutions that enjoyed massive trust from the newly liberated citizens. These citizens were willing to relinquish their liberties for the sake of nation-state building and national development.

Over time, however, these nation states evolved into behemoths with massively centralised bureaucracies and political systems that offered very little space for citizen participation in decision-making in state institutions. These institutions, which were created to deliver development to millions of impoverished people and to nurture them as active and engaged citizens with rights, not only failed to deliver these promises but were taken hostage by the elites. As a result, citizens felt alienated from the state and mistrusted their governments. Denying the right to development to millions of impoverished people was further exacerbated when the state started to divest its welfare responsibilities and invited market players to take over in the context of neo-liberal economic reforms.

This move was seen by citizens as a betrayal of the social contract – the basis of any liberal democracy. The growing discontent with this betrayal has meanwhile manifested itself in numerous citizens' movements around the world. These

movements and protests reflect a deep disconnect between their expectations and the performance of public authorities (PRIA 2012). Indeed, Ackerman (2005) predicted that ‘while the forty years after World War II were characterised by a faith in state intervention and the last twenty years have been marked by the acceptance of the market model, it appears that the next wave of development thought will be grounded in a solid commitment to civic engagement’. His prediction did not turn out to be fully true, but there is no doubt that a great deal of civic energy is shaping today’s society and polity. The growing legitimacy crisis of the state institutions that characterises the emerging relationship between citizens and the state, has given rise to demands for governance reform within the democratic framework. The demand for accountability is clearly one key element of these desired governance reforms.

Social accountability: a response to disappointment

Accountability has become a ubiquitous phrase since gaining new currency in the early 1990s with the espousal of new public management (Hood 1991). Since then, the accountability discourse has entered the governance arena and been adopted by its main actors – the state, the market and civil society. Because accountability has been defined in a variety of ways, it is important briefly to discuss it from a practitioner’s point of view without overstretching the concept.

Accountability is fundamentally a relationship of power. The core idea behind accountability is that when decision-making power is transferred from a principal to an agent, there must be a mechanism in place for holding the agent to account for his or her decisions and if necessary for imposing sanctions, ultimately by removing the agent from power (Lindberg 2009). In this sense, we need to understand how citizens (as the ‘principal’) exercise this power over the government (as the ‘agent’).

At the heart of accountability is the ability of citizens to demand rights and entitlements, and the ability of the government to acknowledge and fulfil them. Rights and entitlements affect the way citizens access meaningful resources, services and institutions. However, experience around the world shows that while legal provisions for rights and entitlements are necessary, they are not a sufficient condition for realising these rights, particularly for the poor and the marginalised. In many contexts, the state itself violates rights and entitlements either deliberately or unwittingly (IDS 2006). The realisation of full citizenship thus impinges on the way the citizens demand their rights and exact accountability from the state (Gaventa 2002, Tandon 2001, Aiyar and Walton 2004). When accountability works, citizens are able to make demands on powerful institutions and ensure that those demands are met (IDS 2006). Every successful act of exacting accountability thus expands the realisation of citizenship.

What remedies do citizens have when their rights and entitlements are ignored or denied by the state or by the powerful institutions in connivance with the state? This problem may arise with the failure of both electoral accountability (between the elected and electorate) as well as horizontal accountability (between the institutions of

checks and balances). In recent years, social accountability as an approach has evolved to address such deficits or failures. Malena et al. (2004) define social accountability as ‘an approach towards building accountability relationships between citizens and governance institutions, driven by citizen participation and civic engagement. It creates opportunities and spaces for the citizens and their organisations to participate directly or indirectly in exacting accountability by promoting practice of active and responsible citizenship.’ In fact, since the mid-1990s, there has been considerable investment in initiatives aimed at empowering ordinary citizens to hold governments directly to account – the assumption being that when citizens engage with their governments and hold them to account, countries achieve better developmental and democratic outcomes (McGee and Gaventa 2010, Tembo and Chapman 2014).

At the core of social accountability is the ability of citizens to hold governance institutions accountable and improve their performance through a broad range of actions, including promoting access to information, monitoring the performance and conduct of public institutions, engaging public institutions through interface dialogues to improve their responsiveness, and promoting organised citizen participation in actual resource allocation decision-making (Bandyopadhyay and Vaishnava 2013, Fox 2014). These actions help public institutions and citizens to recognise their mutual responsibility in promoting just and democratic governance. It is crucial to understand under what conditions social accountability matters and for whom, in order to build accountable public institutions that respond to the demands of the citizens.

Making social accountability impactful

The practice of social accountability around the world since the new millennium reveals a number of critical lessons for civil societies and policymakers. These lessons can be harvested and better understood by exploring the conditions that allow social accountability to evoke an effective response from the public institutions.

Appreciating the context

The understanding and appreciation of context did not receive much attention in early efforts to promote social accountability, and, worryingly, a ‘best practice’ approach was advocated. As a result, the tools of social accountability, such as the ‘citizen report card’ or the ‘social audit’ (see box for details), as well as their inventors and promoters travelled around the world in order to endorse the best social accountability tools. This approach somehow ignored the political context and over-emphasised the technicalities associated with the tools. It is only recently that the context has received its due attention, and increasingly new approaches are being developed now that analyse the context in order to inform social accountability design and applications.

O’Meally (2013) has suggested some critical dimensions for understanding the context better:

- *civil society* and *political society’s* capacity, credibility and willingness;

- *inter-elite relations*, which are often shaped by the nature of political settlement among the political elite;
- *state-society relations*, which characterise the social contract and history of civic engagements;
- *intra-society relations* highlighting the degree of inequality and exclusion; and
- *international development cooperation* arrangements.

There is also increasing attention on the fact that citizens both individually and collectively express different political and social identities, experience citizenship rights and entitlements differently, and therefore they affect the interface outcomes with the public institutions differently. Tembo and Chapman (2014) argue that ‘understanding context helps to situate forms of citizenship and statehood. This in turn, will make it possible to understand how different forms of citizen activism, civic energy and state actions are energised and sustained’.

Accessing information and awareness

One theory of change is that access to information and critical awareness about issues by citizens will produce an accountability relationship between citizens and the state. Several social accountability tools through which citizens gather information, such as citizen report cards, social audits and community score cards, for example, are based on this assumption. This is supported by a number of examples from India, where citizens and civil society organisations have exposed local corruption or highlighted the bureaucratic inertia of frontline workers from service delivery agencies.

These examples unearthed issues of ineffective implementation and misappropriation of the Public Distribution Scheme and the National Rural Employment Guarantee Programme. What produced responsiveness and accountability from public institutions was the strategic and combined use of gathering information on ‘official claims’ using the Right to Information Act, and validating and triangulating those claims by using social accountability tools like a social audit. The glaring gaps between official claims of ‘development’ and findings from citizens of ‘underdevelopment’ or ‘false claims’ helped to compel the elected governments to respond and correct the situation. However, Fox (2014), having studied several social accountability practices including some Indian examples, argues that there is no conclusive evidence that access to information indeed establishes an accountability relationship between citizens and public institutions.

The importance of strategically using information can also be observed in countries where citizens do not yet have the right to claim information. In a study on Cambodia, the author discovered that civil society groups there have adopted various innovative ways of accessing and disseminating information to citizens either by themselves or through government officials. For example, civil society groups have organised interface meetings between citizens and government officials to encourage them to interact and share information on government programmes, plans and schemes that is relevant to citizens. These groups have also encouraged citizens to ask

Social accountability tools

The *citizen report card (CRC)* is typically a participatory household level survey capturing user feedback on performance of public services, especially on coverage, quality and effectiveness. The feedback is shared with the service provider with the aim of improving various aspects of service delivery.

The *community score card (CSC)* is a community-based monitoring tool in which the community is taken as unit of analysis. It focuses on monitoring at the local facility level (e.g. health centre or school) and links service providers to the community.

The *social audit (SA)* is a process of systematically collecting and reviewing official records (in India, for example, by using the Right to Information Act) and determining whether reported expenditures by a public agency reflect the actual monies spent on the ground. Typically the findings are reviewed in a public hearing where the community and representatives of the public agency are present.

questions and have prepared officials to provide answers to these queries. Actionable information provides citizens with an incentive to use it and an environment that reduces fear of reprisal from the powerful. More importantly, it has the potential to empower the poor (Fox 2014). Information alone may not automatically improve accountability relationships, but it creates a solid foundation for the next stage of dialogue and negotiation in the accountability claiming process.

Working on both sides of the governance equation

Demand and supply is an expression borrowed from the market analogy to denote that in perfect market conditions demand precedes supply. There is an assumption in the governance discourse that 'demands' by citizens and other stakeholders will exert pressure on public institutions to 'supply' transparent, accountable and responsive governance. In other words, in the absence of effective demand, public institutions may not have sufficient incentive to deliver just governance. This pervasive insistence is what prompted Goetz and Jenkins (2005) to remark that 'accountability is often derided as a cure-all development buzzword, a fit subject for exhortation, but something that in most parts of the world is rarely achieved because it demands too much compassion of the powerful and too much undiluted civic virtue from ordinary citizens.'

For social accountability to become impactful, it requires iterative engagements between citizens, civil society and public institutions. Yet given the limited history of such engagements in many contexts, it requires substantial investment in developing the capacity of all actors. On the one hand, it requires enhancing the capacities of citizens and civil societies, while on the other hand, interventions are also required

for elected representatives, public officials and political leaders. Experience suggests that capacity development interventions such as training, workshops, hand-holding support, exposure visits and joint reflection are appreciated by elected representatives as these interventions help to enhance their understanding of the importance of just governance, social accountability and citizen participation.

These interventions can have a positive spin-off as well by contributing to subsequent interactions with citizens and civil society so that solutions can be more easily found to problems faced by citizens. Creating an environment of support from government allies, for example, will increase the likelihood to get a response. The results from many social accountability practices thus reinforce the idea that working simultaneously on both the supply side and demand side produces better outcomes. In many instances social accountability practices and outcomes contribute to strengthen the horizontal accountability between state institutions (e.g. between the elected local governance institutions and service-providing line departments) as well as accountability within the institutions (e.g. local governance institutions).

Designing better interventions

Successful social accountability interventions require a fine balance between information dissemination, mobilisation of citizens, monitoring by citizens, and interfacing between citizens and public institutions. A number of reviews by the author of social accountability projects in Asian countries revealed that many initiatives focused only on one aspect of these crucial elements and relied heavily on a single social accountability tool. For example, a given initiative would focus primarily on monitoring, but would not devote attention to mobilising citizens, or vice versa. The interventions that use structured tools (for example, CRC or CSC) to monitor services tend to identify, articulate and communicate service deficits in more detail to service providers.

Mobilising this kind of information and analysis needs to be bolstered by the mobilisation of citizens, however. Striking a balance in practice between the technical know-how of using specific social accountability tools and the political mobilisation of citizens is crucial. While a technically sound social accountability tool may generate more citizen feedback and related data in a rather short period, the participation of citizens could be limited to passive providers of information, unless it is factored in the intervention design. The ownership of the community through collective analyses, reflections and actions needs to be optimised.

The other critical aspect of citizen mobilisation in social accountability is to clearly define who these citizens are. The participation of women and other marginalised groups must be ensured by mainstreaming their issues and concerns in the overall framework and practice of social accountability. The interventions that focus on these aspects have more potential to increase the participation of women and other marginalised groups. Therefore, the choice of services and issues to be monitored should also be made in such a manner that it encourages the participation

of these groups as active agents of change. In this context, it is also important that the intermediary agencies explore the possibility of working with existing social capital within the community. Since the new millennium, hundreds of community-based organisations have been catalysed by various development projects. These organisations can be capacitated and engaged in social accountability initiatives.

Scaling up social accountability through policy engagement

The practice of social accountability is being expanded in varied contexts. Until recently, many social accountability practices, with notable exceptions, have remained confined to the local arena and primarily engaged with frontline state institutions. Constructive engagement between citizens, civil society and local governance institutions is an essential building block. However, given the inadequate decentralisation to local governments, many responses and deliveries have to come from higher level governance institutions. This has a bearing on whether social accountability initiatives led by citizens and civil society that engage with policymaking institutions at the national and sub-national levels can have a greater impact.

If we are to succeed in scaling up the next generation of social accountability interventions, then we must foster strategic alliances among these local experiments. These alliances are likely to help policymakers recognise and acknowledge the collective strength and accumulated knowledge of these interventions. Indeed, they must be driven by a deliberate strategy to influence the policymaking process through engagement and dialogue with policymakers, which requires capacity support to smaller grassroots civil society groups. The evidence broadly suggests that when higher-level political leadership provides citizens with the appropriate powers to hold within-state agencies or frontline providers accountable, the result is frequently a positive impact on outcomes (Tembo and Chapman 2014).

Developing capacities for social accountability

As citizens and civil societies are the prime movers in social accountability, their capacities are as crucial as the social accountability approach itself. A well-rounded social accountability experiment would require capacities to analyse the context, design an appropriate intervention, develop an interactive relationship with governance institutions, mobilise citizens, choose and develop appropriate tools, generate evidence using these tools, engage and negotiate with governance institutions to improve the situation, and also sustain the momentum. This may sound daunting, but it is not impossible if appropriate capacity development interventions are put in place. The most critical thing is 'learning by doing', that is, to follow the complete learning cycle: experiment, experience, reflect and conceptualise.

While citizens take a central role in social accountability, the importance of intermediation by an intermediary agency cannot be emphasised more. In most social accountability practices this function is typically played by an intermediary civil society organisation (CSO) or non-governmental organisation. However, there are instances

where established academia and media have also assumed this role. The apathy, suspicion and apprehension of public institutions and their officials can be tackled more effectively if the CSOs playing the intermediary role enjoy considerable credibility. A credible issue, a credible advocate and a credible process of engagement stand a far better chance of being heard and eventually bring changes to those institutions.

The author found that in many Asian countries a number of CSOs, which have historically provided support and engaged with local governance institutions, were regarded with a great deal of credibility in the eyes of these institutions and various other stakeholders. Even in locations where CSOs started working and engaging with officials for the first time, government officials familiar with the CSOs recommended to their colleagues to collaborate with those CSOs.

Since successful social accountability experiences invariably involve engagement between multiple stakeholders, skills for facilitation, intermediation and sensitivity to manage multi-stakeholder processes are key ingredients, particularly in environments that are restrictive or not conducive to political engagement. The skills needed to convene multiple stakeholders, communicate the analyses and evidence, and facilitate dialogues are extremely important to the success of the social accountability approach. It becomes all the more important in political environments where the democratic space is gradually expanding, where overemphasising 'fault finding', 'blaming', and 'shaming' could reverse the trend very quickly.

The crucial aspects

Social accountability projects have advanced citizens' agendas and achieved considerable positive response from public institutions in many contexts. The space for citizen engagement at the local level is gradually expanding in places where it did not exist just a few years ago. Social accountability as an approach to exact accountability from public institutions by citizens and civil society has enormous potential to further encourage participation and the realisation of citizenship, thereby re-establishing the legitimacy of the democratic state. However, the potential for social accountability can only be realised if the actors involved in promoting social accountability adopt a learning approach by taking into consideration the empirical evidence and factors that make social accountability impactful. Access to information, an enabling environment for collective action, alliances with the government, aligning with existing efforts of governance reform and longer term investment in capacity development are likely to prompt a government response to citizen demands.

Social accountability projects require continued investment, the creation of more opportunities and the pursuit of a long-term approach towards building the capacity of citizens and civil society to hold public institutions accountable. It is important that actors who finance these projects recognise that a learning approach to developing capacity for social accountability is critical. Many enthusiastic 'new age' donors interested in a quick fix often neglect to pay adequate attention to this crucial aspect. While rigorous learning and project monitoring should be pursued,

due patience has to be shown given the unpredictability and complexity associated with social accountability and governance reforms, particularly in countries where the political environment for citizen action is less than favourable.

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Capacity development and resilience



Capacity development and resilience

By Frauke de Weijer and Erin McCandless

Resilience is associated with the capacity of individuals, groups and society as a whole to cope, adapt, and transform in the face of man-made and natural shocks. Resilience is being used in the areas of food security, climate change adaptation and disaster risk reduction, as well as peacebuilding and statebuilding. The concept of resilience is already impacting policy at the highest levels. This chapter aims to capture and build on key lessons from the last two decades of research and practice in the field of capacity development. It suggests how to apply these lessons in the emerging resilience agenda.

Resilience is a critically important concept that has great relevance in peacebuilding and statebuilding, and more generally in moving countries out of fragility and preventing them from sliding back. External stresses – such as those posed by the illicit trafficking of drugs, humans and natural resources; increased competition for resources due to climate change; and increased risk of disasters – are important drivers of conflict and risk undermining progress in peacebuilding and statebuilding. Indeed, they could tip countries back into conflict.

Resilience draws from, builds on and shares many facets with other key agendas, and can *learn* from them. Capacity development is an obvious one. *Capacity* is at the heart of the resilience concept and features prominently on the emerging resilience ‘agenda’ that is being fuelled by international donors and multi-lateral institutions. It is also a core concept in peacebuilding and statebuilding efforts in situations of conflict and fragility.

Below is a short overview of the emerging resilience agenda, followed by a retrospective look at the key evolutionary trends in the field of capacity development. These same trends will be used to see what lessons can be learned from the field of capacity development and whether the resilience agenda has absorbed these lessons and can move beyond them, perhaps even contributing to the field of capacity development.

Resilience, an emerging agenda

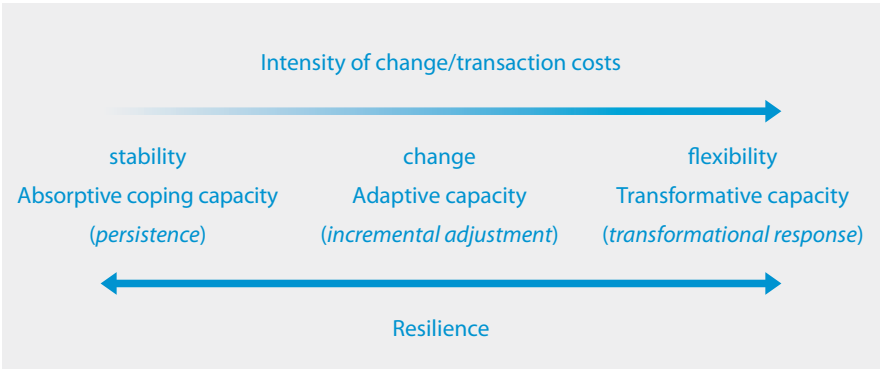
While there is no consensus on what constitutes a ‘resilience approach’, the concept is gaining considerable traction. Key institutions such as the EU (EU 2012) and various UN agencies are incorporating the concept in their guiding policy documents, suggesting that its emergence is an increasingly relevant policy agenda. In the area of fragile states, the focus of this chapter, resilience is seen as the antonym of fragility. The OECD, for example, defines the central objective of international engagement in

fragile states as ‘moving towards effective, legitimate and *resilient* states’ (OECD 2007). Similarly, the g7+, a voluntary collective of self-identified fragile states, describes its mission as ‘supporting countries’ transition from fragility to resilience’ (g7+ 2013). The World Bank uses the resilience concept across strategy and programming, and it has featured in successive flagship World Development Reports. UNDP and UNICEF have both given resilience pride of place in their strategic plans, and the concept is increasingly unifying actors strategically in major humanitarian *and* military interventions, for example, in Syria.

While resilience has been used frequently in the area of disaster risk management, it has developed less dynamically in the sphere of conflict and fragility. As yet, there is no consensus on what resilience means exactly when applied to fragile states, and what ‘building resilience’ really means, although efforts by various institutions are underway to encourage this.¹ Today, there is a growing debate about the who, what and how of resilience and whether it can be effectively assessed (McCandless and Simpson 2015).

The resilience concept is associated with the capacity of individuals, groups and society as a whole to cope, adapt and transform in the face of man-made and natural shocks. The technical term most often used to describe the capacity of a social system to deal with shocks is ‘adaptive capacity’, but a more detailed understanding of capacities for resilience has emerged with the formulation of the 3D resilience framework. Resilience emerges as the result not of one capacity but three: the capacity to absorb, the capacity to adapt and the capacity to transform. In this model, each of these leads to a different outcome: persistence, incremental adjustment or transformational response. For some, a resilient system is the outcome of all three of these capacities. But for others, they constitute different response approaches that can be tapped varyingly, and for yet others, a linear process with transformation as the desired goal (UNDP, UNICEF and Interpeace 2015).

Figure 1: 3D resilience framework²



Evolutionary shifts in capacity development

Our understanding of capacity, capacity development and how to support it has evolved significantly over the last decades (see opening chapter of this book, 'Reflecting on 25 years of capacity development and emerging trends'). Indeed, there are four key themes in the discourse on resilience.

From individual to relational to systemic perspectives

First, capacity development initially focused on building individual skills and competencies, on the assumption that more skilled individuals would improve organisational performance. Increasingly it was understood that organisational capacity was a function of organisational vision, structures, processes and incentives,³ which led to the emergence of a more nested, or systemic notion of capacity across different interconnected levels (see, for example, Fowler and Ubels 2010 and Woodhill 2010). UNDP, for example, 'looks beyond individual skills and a focus on training to address broader questions of institutional change, leadership, empowerment and public participation' (UNDP 2009).

From skills to performance to ability to thrive

Second, the focus on building skills was overtaken by a focus on performance, which held that individuals or organisations would achieve better results once they have developed capacities. Research suggests, however, that capacity consists of a number of dimensions, and the capacity to deliver results is but one (see box on 5c framework below). These dimensions must also extend to the broader abilities that are needed to make an organisation or system endure and perform over time (Baser and Morgan 2008). Whereas the 5C framework was developed to monitor organisational effectiveness, the framework can also be applied to social systems. All five capabilities are necessary – in tandem – to be able to thrive.

ECDPM's 5C framework

ECDPM research on a large number of case studies illustrates that five capabilities are needed for organisational effectiveness:

- the capability to act and commit;
- the capability to deliver on development objectives;
- the capability to adapt and self-renew;
- the capability to relate to external stakeholders; and
- the capability to achieve coherence.

For more information see www.ecdpm.org/5Cs

From value-neutral to value-driven and relating to power

Third, capacity itself is value-neutral: it can support positive or negative forces in development. Yet the process by which capacity is developed is not value-neutral, it is inherently value-laden and political. Capacity development generates winners and losers, and is deeply related to power. People who think about capacity development in a technocratic way tend to treat it as a process of technical learning and adopting best practice solutions, which are themselves considered to be value-neutral. Yet capacity development is often part of an ideological battle. Those 'building the capacity' do so on the basis of inherent beliefs about the direction policies and strategies should take, which may not match with the perspective of those whose capacity is being 'built' (De Weijer 2013). Stakeholders may strongly disagree even on what capacity is (Young, Hauck and Engel 2013).⁴ Thus, a main lesson learned is that capacity development is deeply connected to the goals and aspirations of the actors involved, their agency and motivations, and should not be seen as a technical exercise.

From externally controlled to endogenously emerging

Fourth, over time, the term capacity *building* was replaced with capacity *development*, reflecting a growing realisation that existing capacities need to be developed rather than built afresh. Capacity needed to be viewed as something inherently linked to actors' own motivations, drive and sense of purpose. Further, existing capacities – even if they did not match the expectations of the international community – were increasingly seen as a property of a social system that emerged from a complex interplay of attitudes, assets, resources, strategies and skills, both tangible and intangible. As such, they are much less amenable to external influence. In 2006, OECD defined capacity development as 'the process whereby people, organisations and society as a whole unlock, strengthen, create, adapt and maintain capacity over time'. Capacity development was thus seen as primarily endogenous. 'Support to capacity development' became what outside partners – domestic or foreign – do to support, facilitate or catalyse capacity development (OECD 2006).

Despite these important shifts in thinking, the practice of supporting capacity development has struggled to adapt. Some progress is being made with the development of new frameworks⁵ and practices that support capacity development in a more systemic way. UNDP, for instance, is upscaling its consideration of capacity development in fragile and conflict-affected contexts, advocating the use of political economy and conflict analysis tools to ensure capacity development efforts better respond to issues of power and politics, and to understand and manage social expectations (UNDP 2011: 8-9).

An OECD study on the topic in 2011, however, concluded that 'while understanding about the issues has deepened in the interim, little has actually been done' (Pearson 2011: 8). A number of other studies concluded the following:⁶

- there continues to be an emphasis on skills transfer, mostly through formal training, with insufficient focus on the organisational and institutional levels;

- support to capacity development continues to be regarded as a technocratic and value-neutral exercise with insufficient attention to political dimensions;
- instead of continuing to use parallel management units to deliver support, efforts should focus on strengthening country systems;⁷
- there is a preference for hands-on or direct approaches whereby external actors perform the role of expert, rather than a facilitator, who would be better positioned to support a *joint learning journey* (Pearson 2011); and
- insufficient attention is being paid to the critical question of the capabilities required of international or outside actors to *support capacity development effectively*.

The reasons for the gap between understanding and practice revolve around a number of characteristics of the aid system: the interventionist nature of aid; the assumption that internal problems can be fixed from the outside; the rigid planning, management, and monitoring and evaluation systems linked to the use of logframes; and an accountability system that is primarily structured to meet the needs of funders. The basic assumption at the core of the aid system remains that interventions will linearly translate into tangible and expected results. This assumption is often profoundly at odds with the complexity of social and political life and the way change occurs.

Can the evolving resilience agenda learn from these lessons and avoid these pitfalls? This is arguably vital in contexts affected by conflict and fragility, where the notion of capacity is so central, and where the resilience to overcome future threats and avoid relapses into conflict is so critical.

Opportunities for mutual learning

This next section⁸ examines the overlaps and differences between the concepts of capacity and resilience from the perspective of the four lessons highlighted in the last section. It suggests ways in which the resilience agenda may be off to a head start because of its own analytical underpinnings, the pitfalls that it may involve, and where and how it can learn from capacity development.

A systemic vision of capacity

The concept of resilience is rooted in systems thinking, and for social systems in particular in the theory of complex adaptive systems. This brings with it a certain way of looking at the world that includes:

- understanding a social system by looking at all its elements and the interactions between them;
- focusing on the dynamics and feedback loops that exist in these interconnections; and
- viewing change as less linear and predictable than more reductionist ways of thinking tend to view change, and viewing the properties of a system as essentially self-organising and emergent (Baser and Morgan 2008, De Weijer 2013).

This language – at least on the surface – appears to resonate well with the way capacity has increasingly come to be understood, and in particular its endogenous and emergent nature.

While the field of capacity development evolved through a long process of learning before adopting more of a systems approach, the concept of resilience is firmly rooted in systems thinking.

Whereas capacity development initially did not see the ‘whole’ because of a focus on the ‘parts’, the opposite holds true for resilience thinking. The risk is that by focusing too much on the whole the individual parts may be overlooked. When the system as a whole is better able to absorb, cope and transform in the face of shocks, this does not necessarily mean that the different actor groups within a system have all increased their resilience. For example, a state that diversifies its export economy and thus becomes more resilient to commodity shocks may do so at the expense of individual farmers. Important questions thus exist on the scalability of resilience: for example, does resilience at the community level scale up to higher levels of resilience – i.e. sub-nationally and nationally – and if so, how?⁹ The experience with urban violence, for instance, shows that organising people into gangs can enhance the adaptive capacity of the gang members but reduce a city’s adaptive capacity as a whole (Davis 2012).¹⁰

Resilience practitioners can learn from the way that issues of scalability are viewed and dealt with in capacity development. Though systems language has not been employed in the same way, UNDP’s decades of work in this area has undoubtedly produced considerable evidence for what works and what does not. This evidence should be extensively studied so lessons can be drawn from it. Its notion of individual and organisational (collective) level capacities operating within an enabling environment (broad social system) that ‘sets the overall scope for capacity development’ undoubtedly can provide a foundation for resilience practitioners to build upon (UNDP 2009: 11).

The ability to thrive

Tensions exist between the degree to which resilience is linked to performance (i.e. delivering results) or to a more generic ability to thrive. The aid community commonly places risk management at the centre of resilience models, resulting in approaches that identify the key risks and try to develop policies that are better able to deal with these risks. For instance, if a main risk is the vulnerability to commodity pricing, economic diversification would be a risk management strategy. The World Bank and OECD use this framing, where the expected outcome of resilience is improved risk management and higher performance (e.g. Mitchell 2013). Sectoral applications of resilience, e.g. food security or climate change, also tend to adopt this approach.

Other scholars and practitioners working on conflict focus more explicitly on factors that allow individuals, households, communities and societies to thrive (UNDP, UNICEF and Interpeace 2014). These might include (less tangible) processes

of decision-making and governance, fostering of innovation and experimentation, exploitation of new opportunities, and structures of institutions and entitlements (Levine et al. 2011), as well as issues related to social capital and collective action (Marc et al. 2012; UNDP 2012). This goes beyond the adoption of risk-sensitive policies, because it goes to the heart of what allows societies to adapt to changing circumstances irrespective of the specific risk at play.

Risk management approaches to resilience mirror the limitations of performance-oriented capacity development. The second type of framing takes an approach oriented more towards getting actors to *thrive*, as described earlier when discussing the 5C approach to capacity development. This framing comes closer to the way capacity development has come to be understood over time. A risk for the resilience agenda, therefore, is that it could fall back to measuring capacity in terms of performance. This would be a lost opportunity.

Sensitivity to issues of power and transformation

Initial understanding of capacity development underestimated the role of power, portraying it as technical and not as political. The resilience agenda may be at risk of falling into the same trap.

The way the concept of resilience is currently used in policy and practice has been criticised because it tends to promote the status quo, focuses on absorptive or adaptive rather than transformative capacity, and pays insufficient attention to issues of power. Historically, resilience was used to describe the ability of a system (or a material) to return to its original state after having been disturbed.¹¹ Though over time the term has moved from referring to a simple return to the original state to the ability of a system to adapt and transform itself in the face of shocks,¹² some concerns remain. For example, will efforts to build resilience simply enable communities to absorb conflict or adapt to it, rather than collectively engage to transform the conditions that drive it, in which (asymmetrical) power relations play a key role?¹³

Yet there is nothing inherent in the concept of resilience that suggests these leanings. The behaviour within a system is determined by what is sometimes called ‘rules of thumb’, the internal logic (norms and social codes) by which actors in a social system operate. But these rules of thumb are shaped by the way that deep structures, policies, mindsets, norms and behaviours interact. Power relations are an integral – if not the most important – contributing factor to these deep structures. It is these deep structures that can either maintain the status quo of the social system (through negative feedback loops) or catalyse adaptive or transformative change (through positive feedback loops). Focusing on the deep structures that either maintain the status quo or that can lever transformative change requires that attention is paid to the power relations that lie at the root of violent conflict, fragility and underdevelopment.

There remains some cause for concern, however, one which constitutes a risk for the emerging resilience agenda. The authors of the 3D resilience framework (Béné et al. 2012) argue that the response to shocks – and the capacity that is drawn upon

– depends on the shock's intensity. The lower the intensity of the initial shock, the more likely the response will be able to absorb its impact without consequences for its function, status or state. When this absorptive capacity is exceeded by the intensity of the shock, the household will then exercise its adaptive resilience, which will lead to incremental change.

As Béné et al. argue, transformation will happen only when the *intensity of the shock is so large* that it overwhelms the adaptive capacity of the household, community or (eco)system (see Béné et al. 2012: 21-22). Although the authors acknowledge that these shifts typically require changes to entrenched systems maintained and protected by powerful interests, they make little reference to the role of human agency in making these shifts happen. This framework is therefore in danger of promoting a notion of change that is at odds with the undoubtedly more complex and dynamic range of responses occurring in any context, and the role of human agency to make change happen.

Respecting the endogenous nature of capacity

Capacity development thinking recognises that capacity is not something that needs to be created from scratch, but that it emerges through complex interactions between resources, capabilities, assets, incentives and governance arrangements. Support to capacity development has thus started to focus more on finding ways to create conditions for existing capacity to expand, rather than merely focusing on building new capacities.

Resilience, with its grounding in systems thinking, recognises the emergent properties of capacity and therefore the need to build on endogenous processes. Yet there are indications that things are different in practice. For example, international donors are very focused on *building* resilience but do not pay sufficient attention to understanding what actually constitutes resilience in a local context (McCandless and Nilaus-Tarp 2014, McCandless and Simpson 2015). There are some promising trends, however. In the EU, for instance, the resilience agenda has already started breaking down some of the barriers between sectors and instruments, and it has seriously boosted attempts to bring humanitarian and development actors closer together.

Interestingly, the concept of resilience and adaptive capacity in the sphere of organisational development and also climate change has led to new ways of thinking about organising in businesses and organisations. More attention is being paid to creating space for innovation, to having autonomous units operating in more loosely connected structures, to more flat and less hierarchical forms of organisation, to more space for improvisation, and more generally a rejection of tightly controlled systems. These new forms of organising more strongly acknowledge the endogenous nature of capacity and even aim to actively draw it out. The concept of resilience may thus offer potentially new ways of organising, planning and managing development assistance. But these new ways of organising are not very visible within the aid system yet.

Looking ahead

Many of the lessons drawn from capacity development are relevant to the emerging resilience agenda. Though the concept of resilience is already impacting policy at the highest levels, its application is still very much in flux. This offers opportunities to capitalise on this learning.

The resilience agenda also reinforces many of the lessons from the field of capacity development, due to its foundations in systems thinking, and the fact that it places particular emphasis on emergent and endogenous change, takes into account context and recognises the interplay of different capabilities.

There is great potential, then, for the resilience community to learn from, move beyond, as well as contribute to the theory and practice of capacity development. There are a number of risks, however, which will have to be managed carefully if the resilience agenda is to live up to its full potential.

First, the resilience agenda must not be forced into a linear technocratic mode of operation. Resilience advocates must demand that the systems and structures involved in development cooperation be adapted. The current incentive structures, accountability frameworks, planning and management processes, and organisational set-up are not compatible with systemic approaches. Working with the concept of resilience without changing these organisational patterns is likely to erode the very value the concept brings to the table.

Second, there is a need to better understand what *building* resilience means. The endogenous nature of resilience, similar to the endogenous nature of capacity, raises important questions regarding the role of external actors in building resilience. This requires honest reflection on the part of external actors – about how different forms and levels of intervention influence context – that goes beyond notions of doing or not doing ‘harm’. Practitioners will have to change their mindset if they are to move towards the notion of ‘accompanying’ a society on a journey, rather than the idea of bringing solutions.

Third, practitioners need to recognise the different levels and scales of resilience and how these interact with each other. The focus on the system as a whole should serve as a way to better understand how the different parts of the system interact and impact one another, and how resilience at the system level can be manifested in ways that benefit all. At the same time, a narrow focus on one aspect of society (e.g. a household or a community) should not detract from viewing this entity as part of a larger system.

The fourth risk is perhaps the area where continued experimentation and learning around resilience might contribute most significantly to capacity development. Just as capacity development (at least theoretically) moved from value-neutral to value-conscious, the resilience agenda also has yet to embrace more fully the value-driven nature of building resilience. As the discussion above shows, there is still a risk of underestimating the role that human agency plays in bringing about change.

Finally, interesting questions could be asked in relation to the 3D framework and its typology of absorptive, adaptive and transformative capacities. Do they differ in nature or only in degree? Do they occur simultaneously or are they part of a linear trajectory? How do they interact, support or undermine one another? While the authors of the 3D framework argue that the size of the risk mostly determines the type of response triggered, the opposite could be argued as well. It could well be that the type of response depends more on the types of capacity available rather than the intensity of the shock. How do factors such as motivation, politics and power effect the response of the social system against a shock? Might the ability to absorb a shock depend more on individual characteristics, while the ability to transform depends more on collaborative capacity? Analysing such questions can help advance the resilience agenda, as well as contribute to ongoing learning on capacity and approaches to its development.

Notes

- ¹ In September 2014 in New York, UNDP, UNICEF and Interpeace co-convened an expert's roundtable with this goal in mind, resulting in an outcome document entitled *Fostering Resilience in Situations of Conflict and Fragility*.
- ² See Béné et al. (2012).
- ³ See for instance <http://blogs.worldbank.org/futuredevelopment/beyond-stuff-capacity-relational-concept>.
- ⁴ See also http://capacity.org/capacity/opencms/en/topics/context_systems-thinking/thinking-systemically.html 3/7, accessed 10/9/14.
- ⁵ See for instance the GIZ framework for capacity development (Capacity WORKS, <http://www.giz.de/expertise/html/4619.html>) and the Dutch use of the 5C approach for monitoring capacity development, described in: IOB (2011).
- ⁶ See for instance the 2010 joint donor evaluation for South Sudan, Keijzer (2013) and Pearson (2011).
- ⁷ The recent monitoring report of the New Deal showed that progress was lagging behind severely in this dimension. See <http://www.pbsbdiallogue.org/newsandevents/specialevents/RD%201%20New%20Deal%20Monitoring%20Report%202014%20FINAL.pdf>.
- ⁸ The insights presented in this paper benefited from the (unpublished, forthcoming) draft discussion document, *Assessing Resilience for Peacebuilding*, by Erin McCandless and Graeme Simpson, Interpeace, Geneva.
- ⁹ See for instance Carpenter, A. (2011) *Resilience to Violent Conflict: Adaptive Strategies in Fragile States*, available at http://www.securitymanagementinitiative.org/index.php?option=com_docman&task=doc_details&gid=511&lang=en&Itemid=28.
- ¹⁰ This example of gangs also illustrates another important point: resilience is a property of a system and is not inherently good or bad, because it can manifest itself both negatively (think of corruption or mafia, for example) and positively (think of customary mechanisms for conflict resolution or villages organising their own schooling when public education systems break

down, building their own community policing systems, or developing disaster mitigation or prevention plans). International actors tend to use the notion of 'resilience building' in ways that assume its positive value, and fail to critically reflect upon how it can also manifest itself in destructive and harmful ways.

- ¹¹ This last point is made in Béné (2012).
- ¹² This is very notable in the UNDP position paper, that describes building resilience 'as a transformative process of strengthening the capacity of men, women, communities, institutions, and countries to anticipate, prevent, recover from, and transform in the aftermath of shocks, stresses, and change', and very explicitly states that 'resilience-building is about [...] transformational change rather than maintaining equilibrium or bouncing back to original states, as emphasized in other resilience definitions'.
- ¹³ These views have been prevalent in research conducted by author McCandless with local actors in Pakistan and Guatemala.

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The capacity of developing
countries to mobilise resources



The capacity of developing countries to mobilise resources

By Annalisa Prizzon

This chapter aims to analyse how the development finance landscape has evolved in the last decade by summarising key trends in public finance and development assistance. These trends will influence the funding of a post-2015 agreement on sustainable development goals, either directly or indirectly. Furthermore they will have consequences for developing countries that are seeking to strengthen their capacities to mobilise and attract resources. This chapter also outlines some low- and middle-income countries' experiences in managing the increased variety and complexity of the development finance landscape. In particular, it looks at the extent to which middle-income and low-income countries welcome more financing options and how capacity building in governments should help manage this increased complexity.

The financing model underpinning the original Millennium Development Goals discussed in Monterrey in 2002 focused largely on domestic resource mobilisation and traditional official development assistance (ODA). The assumption was that when countries were unable to mobilise sufficient domestic resources to finance progress towards the Millennium Development Goals, the gap should be filled either with ODA or through debt cancellation. The evidence suggests that this approach was relatively successful in reinforcing the upward trend in aid flows during the late 1990s and 2000s (Bourguignon et al. 2008, Melamed and Sumner 2011, Moss 2010). Private finance, either profit- or philanthropy-oriented, contributions from non-Development Assistance Committee (DAC) donors and climate finance were either non-existent or considered much less important than ODA and domestic resources. Now the development finance landscape is very different, marked by at least six key trends in public finance and development assistance.

Trend 1: Fiscal revenues in financing development

In terms of volume, general government revenues increased more than fourfold, from US\$1.5 trillion to US\$7.7 trillion (IMF 2012), between 2000 and 2012 in all emerging and developing economies. In relative terms, in middle-income countries (MICs), tax revenues were five times higher than foreign direct investment flows and nearly 40 times higher than the amount of ODA in 2009. By contrast, in low-income countries (LICs) tax revenues were nearly four times higher than foreign direct investment flows and 20% higher than the amount of ODA in 2008 (see Greenhill and Prizzon 2012).

As a share of gross domestic product (GDP), the average general government revenue ratio increased from 23.6% in 2000 to 28.3% in 2012 in emerging and developing countries with a 29.4% peak in 2008 (where the OECD average was approximately 35% of GDP in 2012) (on the basis of IMF 2012).

Trend 2: Traditional ODA under pressure

While ODA remains a small proportion of development finance in MICs, levels remain high in LICs, much higher than foreign direct investment inflows and workers' remittances (Greenhill and Prizzon 2012). Overall, ODA from DAC donors has increased progressively in recent years, reaching its highest level ever with US\$134.8 billion in 2013, partly in response to the aid commitments made in Gleneagles in 2005. However, ODA levels fell by nearly 3% in 2011 and are not likely to continue to expand further in the years to come after having achieved their highest level ever in 2013, largely as a result of the global financial crisis and fiscal austerity in many of the key donor countries.

Trend 3: Philanthropy and private development assistance

Philanthropy and other forms of private development assistance have been growing substantially in recent years, in both absolute and proportional terms. Data on philanthropy is essentially based on data for US foundations and extrapolated for the rest of the developed countries. The Hudson Institute estimated that philanthropic organisations in the United States made international grants in the amount of US\$39 billion in 2010 (Hudson Institute 2012), less than one third of total ODA in 2010. Kharas measured that compared with DAC Country Programmable Aid, contributions from philanthropic organisations and NGOs may equal or even exceed the contribution of DAC donors (Kharas 2007) in terms of the share of ODA that actually reaches countries.

NGOs also raise funding from private sources that is additional to ODA. According to the OECD (2011), flows raised privately by NGOs (in DAC countries) amount to US\$22 billion – corresponding to 70% of their total sources of financing. Person-to-person giving has also grown over the past decade. While still small (on average less than US\$30 million per year) compared with other sources of development finance, one of these intermediaries (Kiva), for example, has experienced a steep expansion curve since mid-2007, reaching a monthly transaction of US\$3.5 million at the end of 2009. Since 2005, roughly US\$406.5 million has been disbursed through Kiva (Kiva 2012¹).

Trend 4: Non-DAC donors

Non-DAC donors are far from being a homogenous group. Zimmermann and Smith (2011) divide the non-DAC development partners into three categories:

- Emerging donors that are smaller but share many similarities with DAC donors. This group includes non-DAC EU Member States and donors such as Israel

and Turkey. The European donors in particular tend to adhere to the European Consensus on Development and seek to emulate the behaviour of DAC donors.

- Providers of South–South cooperation, who see themselves more as peers of other developing countries and are heavily influenced by the Bandung Conference of 1955. These include China, India and Brazil. China alone contributed nearly US\$2 billion in 2009.
- Arab donors, including Kuwait, Saudi Arabia and the United Arab Emirates (UAE), which have a long history of development cooperation with developing countries. This group is comfortable with the donor label, but tends to take a different approach from DAC donors. While as a group Arab donors are less important than South–South cooperation providers, their volumes of finance from individual members can be large. For example, Saudi Arabia provided US\$3.3 billion in 2009, which is higher than contributions from more than 12 DAC donors who contributed the most (out of the 23 at that time).

Estimates of total assistance from new emerging partners range from US\$9.5 billion to US\$15 billion for 2008 (ECOSOC 2008; Park 2011; Prada et al. 2010). Assistance from non-DAC countries reporting to the DAC has expanded progressively, from US\$2.4 billion in 2000 to US\$7.3 billion in 2010 – i.e. it has more than tripled in real terms in 10 years. On the basis of Park (2011), the five largest non-DAC donors in 2008 were Saudi Arabia (US\$5.6 billion), China (US\$3.8 billion), India (US\$1 billion), Turkey (US\$780 million) and Brazil (US\$437 million in 2007). On the basis of Zimmermann and Smith (2011) as well as ECOSOC (2008), development assistance from South Africa is mainly directed to countries in sub-Saharan Africa. Total South African development cooperation expenditure rose from US\$49.1 million in 2006 to US\$108.7 million in 2009.

Trend 5: Financing global public goods

The increased focus on global public goods, including climate change, food security, health and security, means it is likely that a growing share of aid will be allocated to these areas in the future. In particular, it is likely that a large share of the climate change financing that has been committed to developing countries by developed economies will be taken from, rather than additional to, current ODA budgets.

It is challenging to track climate finance flows and particularly their relationship with ODA, which means that some of the climate finance flows presented here may also be included in the ODA figures in earlier sections. Estimates of climate finance are based on the pledges and targets set at the United Nations Climate Change Conferences in Copenhagen and Cancun in 2009 and 2010. Commitments from developed countries to emerging and developing economies amounted to US\$30 billion between 2010 and 2012 and will average US\$100 billion per year by 2020. A wide range of resources ranging from public and private, bilateral and multilateral as well as innovative sources will be mobilised. The dominant scale of global private capital markets and growing fiscal challenges in many developed

economies also suggest that in the long run the large financial flows required for climate stabilisation and adaptation will come mainly from private sources.

According to the Climate Policy Initiative (CPI 2011), climate finance totalled US\$96.9 billion per year in 2010, of which 56% came from private sources; US\$5.4 billion was considered bilateral aid disbursed by DAC countries in 2009, less than 5% of total ODA.

Implications for the post-2015 sustainable development goals

The development finance landscape has now changed dramatically, and the framework for post-2015 sustainable development goals will need to be designed in a way that reflects this. In particular, as the trend analysis shows, it will need to recognise that:

- The significant growth in domestic revenues in developing countries will enable a larger share of development to be financed domestically, either through taxation or through financial deepening, particularly in MICs and resource-rich countries.
- Non-DAC donors, particularly Arab states and providers of South–South cooperation, who were minimal in terms of volume at the time of the Millennium Declaration, are now much more important sources of development finance and knowledge transfer. This is a trend that is likely to accelerate in the coming years.
- ODA is likely to decrease in relative importance as a source of development finance, apart from, perhaps, in the poorest countries. A growing share of that decreasing pot is likely to be earmarked for global public goods, particularly climate finance. At the same time, ODA providers are becoming increasingly risk averse, and there is likely to be a stronger emphasis on aid linked to donor countries' commercial and geopolitical objectives.
- Philanthropy is likely to continue to grow as a source of development finance, albeit from a low base. There may also be scope for technological innovations to promote greater person-to-person giving, as the middlemen are progressively removed from traditional channels, although this remains untested at present.

Implications for LICs and MICs, and capacity building

Against this backdrop, what are the implications for the strategies of LICs and MICs and their capacity building needs? These are important questions in light of the discussion leading up to the Financing for Development Conference in July 2015 in Addis Ababa, in particular when it comes to identifying a framework for an integrated sustainable development financing strategy – one of the mandates of the Intergovernmental Committee of Experts on Sustainable Development Financing published in September 2014.

There are different needs for capacity building for ministries of finance or equivalent agencies in charge of resource mobilisation and line ministries when it comes to the management of external assistance flows beyond ODA, notably from non-DAC donors and philanthropic assistance, and climate finance from multilateral funds.

Strengthening capacities of low- and middle-income countries to mobilise resources

Capacities that require strengthening include:

- Capacity to develop explicit frameworks for an integrated sustainable development financing strategy
- Capacity to gather information on philanthropic financial flows and to engage proactively with philanthropic organisations
- Capacity to prepare and implement funding proposals to tap into international public climate change finance (at the level of the ministries of finance (or planning) as well as ministries of environment)
- Capacity to engage in public–private partnership contract negotiations and manage project implementations
- Capacity to negotiate with and coordinate traditional donors

Greenhill et al. (2013) and OECD (2014) reviewed partner country preferences for different types of development assistance in Cambodia, Ethiopia, Ghana, Senegal, Timor-Leste and Zambia. While results cannot be extended to all partner countries, these countries share at least six common features.

First, there are certain common priorities for the terms and conditions of development assistance flows in these countries. All countries analysed receive external assistance flows beyond ODA, and the volume has increased significantly over the past decade. Moreover, these developing countries welcome more choice and more finance, and they believe that the benefits of managing these flows outweigh the costs. In addition, these countries identify ownership of development programmes, alignment to national priorities and speed of delivery (contract negotiations and project implementations) as key priorities.

Second, countries such as Cambodia and Ethiopia are taking a strategic approach to the division of labour between traditional (DAC donors) and non-traditional providers (emerging donors and philanthropic organisations, for example). Cambodia and Ethiopia were using non-traditional providers to increase their negotiating capital in relation to traditional donors, and there was some evidence to suggest they were able to secure better outcomes in relation to their priorities. Other countries still lack an overall development finance framework, either implicit or explicit, that links national investment priorities to the perceived comparative advantage of different external sources, e.g. in terms of financial cost, speed of delivery and conditionality.

While they are well aware and understand the terms and conditions of the different sources of available development finance, countries like Ghana, Senegal and Zambia use a less strategic approach to identify the best sources of development finance to

fund each project. Again, in light of the discussion leading up to the Financing for Development Conference and financing the sustainable development goals, there is a need to strengthen the capacity to develop explicit frameworks for an integrated sustainable development financing strategy

Third, despite the increase in global flows little is known about the volume of philanthropic assistance at the country level. Most of the assistance from philanthropic organisations is not channelled via government systems. Subsequently, public actors do not see themselves as engaged, and their access to information is scarce, limited and anecdotal. With philanthropic assistance flows being estimated to be equivalent to half of ODA budgets, there is clearly space for partner country governments to improve information on these and to engage proactively with these actors, both in ministries of finance and equivalent agencies as well as line agencies with whom philanthropic organisations, especially in social sectors and agriculture, are more likely to engage.

Fourth, notwithstanding large global commitments, flows reaching countries (or at least in those reviewed) as international public climate change finance appear to be demand constrained. There are still surprisingly low disbursements to the countries reviewed in the studies from global climate change-related funds, proportionally to the size of their populations and degree of vulnerability. Volumes of climate-related finance are mostly delivered through ODA channels and considered modest at the country level. There is high demand for strengthening local capacity to prepare and implement funding proposals. There is widespread admission that national capacities are lacking for proposal formulation both at the level of ministries of finance (or planning) as well as ministries of environment or in equivalent agencies, which restricts effective access. Indeed, there is a clear preference for projects that provide technical assistance and focus on capacity building. Institutional responsibilities are typically also fragmented within administrations (again between ministries of finance, planning and environment, or even ministries of rural/local development), which can make it difficult to track and accelerate progress. In this context, the studies mention that the size of the projects – and probability of scaling them up – is perceived to be too small to achieve visible results by relevant informants.

Fifth, while it is difficult to map the mobilised volumes, governments in partner countries are increasingly keen to implement projects via public–private partnerships (PPP) in recent years. These are long-term agreements between the government and a private partner whereby the private partner invests in and delivers public services. PPPs are perceived as a financing modality that can leverage private sector resources to contribute to large-scale infrastructure projects that the government may not otherwise be able to finance and implement (Prizzon and Mustapha 2014).

Contract negotiations and project implementations – especially the terms and conditions that govern the responsibility of the private sector partner – require a skill set that government officials may not have developed yet. Capacity can be strengthened by establishing dedicated units to create the expertise in managing these complex projects within ministries of finance or ministries of economic development, when

it comes to project appraisal and management and the development of a legislative framework for PPPs.

At the same time, PPPs are treated as off-budget transactions, encouraging countries to use them in order to circumvent national or IMF-agreed debt limits (DG for External Policies of the Union 2014). The expansion of infrastructure financing should be matched with an improved monitoring framework in relation to potential risks for public debt sustainability if these projects include contingent liabilities (guarantees) or collateral from the government.

Finally, the reviews by Greenhill et al. (2013) and OECD (2014) revealed that partner countries prefer to manage development partners on a bilateral basis rather than reduce fragmentation via coordination mechanisms that include all the different development partners. In all the countries analysed, mechanisms have been set up to coordinate traditional donors, including high-level donor–government negotiating forums, sectoral working groups and, in some cases, donor-only groups. Nevertheless, governments may prefer to negotiate with donors separately (as a part of their strategy) to maximise their negotiating power (Grimm et al. 2010). At the same time, donor–government sectoral working groups may be perceived as ineffective or not operational (Chea et al. 2008, Furtado and Smith 2009 for the cases of Cambodia and Ethiopia) because of high demand and overstretched staff.

In Cambodia approximately one-third of the technical working groups were found to be working well. Another third was making gradual progress, while the last third was still not close to being effective, and two of the groups were either dormant or deadlocked (Greenhill 2013). There were also capacity issues in some of the relevant government bodies and challenges regarding internal government coordination. And the integration of sector strategies is still weak. If dialogue between development partners and governments is seen as an objective for donors and developing countries, then both need to allocate more resources and civil service capacity to these coordination mechanisms.

Notes

¹ See www.kiva.org/about/stats.

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Epilogue



Epilogue

Nowadays few would disagree that international or technical cooperation should be geared towards developing the capacity of a partner organisation or country. There is also a broad consensus that capacity development, even if it may generate external knowledge or innovation, needs to build on local or domestic dynamics, ambition, leadership and commitment.

But the world is changing rapidly, and the simple donor–recipient formula has lost its merit. We now live in a multipolar world where economic growth, technical know-how and social innovations come from various sources. In this context, capacity development is cutting itself loose from development cooperation's apron strings. While aid will remain relevant – and for some countries very important in the foreseeable future – we have come to appreciate that CD lives 'beyond aid' in societies that have become less dependent on aid, a growing number of which are now middle income. The main trends and factors identified in the first chapter of this book as having shaped the capacity development landscape are:

- a changing playing field, with new forms of financing and less of a North–South dichotomy;
- more in-country leadership and less donor power;
- resilience as a complementary framework in fragile environments;
- enhanced multi-actor collaboration, especially with increasing private sector engagement;
- a greater diversity of sources of knowledge and expertise, including in-country and regional; and
- new and deepening options for 'voice' and 'downward' accountability.

This book's chapters have not just provided an analysis of such trends. They have also provided real-life examples and illustrations of how the practice of capacity development continues to evolve and change. Policy–practice linkages, public–private partnerships, accountability mechanisms and resilience in fragile settings are just some of the areas in which approaches are now being applied that were much less common or barely thought of just 10 years ago. The various examples cited in this book give testimony to the leadership across the public, private and civic sectors that is pursuing capacity development in intelligent and varied ways. The examples also show a growing range of in-country and regional sources of expertise and service providers for capacity development: from training institutions, organisation and management consultants, social development NGOs and thematic activist organisations, to professional associations, knowledge institutes, think tanks and regional bodies.

All countries, every organisation, community and individual continuously faces new development challenges that demand them to adapt their capacities. Capacity development and the management of change is part and parcel of any development process at whatever stage or phase of development. To steer, facilitate and support that process effectively will remain a key challenge for all concerned. And, as the contributions in this book show, it provides an evolving and rewarding set of policy and professional challenges.

About the authors



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