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Unfinished agenda or overtaken by events? Applying aid- and development-effectiveness principles to capacity development support

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Unfinished Agenda or Overtaken by Events?

Applying Aid- and Development-Effectiveness Principles
to Capacity Development Support

Niels Keijzer

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Abbreviations

AAA	Accra Agenda for Action
AMP	Aid Management Platform
AusAid	Australian Agency for International Development
BMZ	Bundesministerium für wirtschaftlich Zusammenarbeit und Entwicklung / German Federal Ministry for Economic Cooperation and Development
CABRI	Collaborative African Budget Reform Initiative
CBF	Capacity Building Fund, Rwanda
CD	Capacity Development
CDS	Capacity Development Support
CPA	Country Programmable Aid
CPIA	Country Policy and Institutional Assessment
DAC	Development Assistance Committee
DBPP	OECD International Database of Budget Practices and Procedures
DCI	Development Cooperation Ireland
DFID	Department for International Development
DIE	Deutsches Institut für Entwicklungspolitik / German Development Institute
DRN	Development Researchers Network
EC	European Commission
ECDPM	European Centre for Development Policy Management
ERD	European Report on Development
EU	European Union
FTC	Free-standing Technical Cooperation
GAVI	Global Alliance for Vaccines and Immunisation Alliance
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GNI	Gross National Income
GoR	Government of Rwanda
GP	Global Partnership for Effective Development Cooperation
HDR	Human Development Report
HLP	High-Level Panel
IDD	International Development Department
IEG	Independent Evaluation Group
IHP+	International Health Partnerships and Related Initiatives
IMF	International Monetary Fund
KfW	Kreditanstalt für Wiederaufbau / German Development Bank
MAPS	Methodology for Assessing Procurement Systems
MDGs	Millennium Development Goals
MINECOFIN	Ministry of Economy and Finance, Rwanda
MOZ	Mozambique
NEPAD	New Partnership for Africa's Development
NGO	Non-Governmental Organisation
NORAD	Norwegian Agency for Development Cooperation
NPL	Nepal
OBI	Open Budget Index

ODA	Official Development Assistance
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
OPM	Oxford Policy Management
PBA	Programme-Based Approach
PD	Paris Declaration
PEFA	Public Expenditure and Financial Accountability
PFM	Public Finance Management
PIU	Project Implementation Unit
PRSP	Poverty Reduction Strategy Paper
PSCBS	Public Sector Capacity Building Secretariat, Rwanda
RBA	Result-Based Aid
RWA	Rwanda
SIDA	Swedish International Development Agency
SWAp	Sector-Wide Approach
TA	Technical Assistance
TC	Technical Cooperation
ToR	Terms of Reference
UNDG	United Nations Development Group
UNDP	United Nations Development Programme
VNM	Vietnam
WB	World Bank
WBI	World Bank Institute
WBICR	World Bank Institute Capacity Results Framework

Summary

The act of “cooperating” involves doing something together to achieve a mutually agreed goal. For more than half a century, actors involved in international development cooperation have witnessed the difficulty of putting into practice something so seemingly straightforward. In the period from 2003 to 2011, a series of High-Level Fora in Rome, Paris, Accra and Busan added to an evolving aid- and development-effectiveness agenda. A central conviction of this agenda is that development partnerships only succeed when they are led by developing-country stakeholders. Managing cooperation with a multitude of external partners, however, requires strong capacity on the side of developing countries. In addition to acknowledging the centrality of ownership, the agenda also emphasised the need to support developing countries in further developing their capacity to do so.

Capacity development is defined as the process whereby people, organisations and society as a whole strengthen their ability to manage affairs successfully. There is wide consensus that capacity development (CD) is a key task for development cooperation, as well as one of the most challenging. This paper analyses to what extent the aid- and development-effectiveness agenda has been applied in the area of capacity development support (CDS), with a specific focus on the use of developing-country systems. The paper is based on a literature review and a limited number of semi-structured interviews, as well as a review of available research evidence on CDS practices in Mozambique, Nepal, Rwanda and Vietnam.

The aid- and development-effectiveness agenda: outdated and unfinished at the same time?

Although the aid- and development-effectiveness agenda has promoted significant improvements during the past and present decade, most commitments remain unfulfilled. The most recent meeting in Busan reaffirmed earlier commitments, yet also revamped the Global Partnership on Effective Development Cooperation by including additional cooperation actors, including those countries that are both recipients and providers of development cooperation. It was further agreed to “decentralise” the implementation of the agenda by adapting the commitments to the reality in specific countries and regions. Two years onwards, a more elusive international dialogue structure – informed through a loose “coalitions of the willing” with a low engagement by South-South Cooperation providers – adds to a lack of clarity concerning the contents of the agenda, which some now consider as having been overtaken by events. As international cooperation is likely to become more, rather than less, knowledge-intensive over time, capacity development will nonetheless remain a key objective.

International capacity development support: elusive both in theory and practice

International development policy emphasises the nature of capacity development as an endogenous, relational and long-term change process, thus acknowledging that there is only a limited role for external development partners. In the years that followed, efforts have been made to further operationalise this broad concept, clarifying that capacity consists of both soft- and hardware, and that it is dynamic and relational as opposed to static and independent. There is ample evidence of countries that successfully strengthened capacity as a basis for sustainable development.

Although many development partners formally subscribe to the understanding of capacity development as an endogenous process, their practice too often reflects a definition of “capacity” as a country’s ability to successfully implement its development interventions. There is an uneasy match between the “interventionist” nature of development cooperation and the understanding of capacity development as an endogenous change process that easily outlives a development project’s life cycle. Approaches to facilitating capacity development range from direct to hands-off or distant learning approaches, yet stakeholders are often more interested in “getting things done” than in genuine capacity development.

Development interventions can be divided into two groups: one that supports capacity development as a primary objective and another that promotes it as a means to achieve other development results. Most support of the former category is provided in a multitude of forms under the generic label of “technical cooperation” (TC). The effectiveness of CDS is hard to measure: (a) it is not clear whether all support reported as TC seeks to contribute to capacity development, and if so to what extent; (b) when capacity development *is* the purpose, baselines are often missing, objectives defined for the support are frequently hard to measure and, even when they are clear, the monitoring is incomplete; and (c) independent evaluation investments in CDS are relatively low compared to other types of development interventions, and often not available in the public domain.

Developing countries often experience difficulties in sufficiently benefiting from external inputs to their capacity development processes. Structural problems in the public service are important for highlighting the lack of effective ownership in many developing countries, but an equally important cause is the dominant approach, in which external support is designed, delivered and evaluated. Developing-country demand is frequently distorted by oversupply, absent information on the value of the assistance offered as well as on possible alternatives, tying of support and integration into larger support packages. Many development partners are path-dependent in providing certain forms of TC that may not always be appropriate for effective support.

Slow progress in managing capacity development support through developing country systems

The question of what is meant with the term “country systems” is not straightforward. The Paris Declaration presents multiple definitions, whereas its monitoring framework narrows the concept to public finance management (PFM). The Declaration simultaneously considers the strengthening of country systems as a condition for effective development cooperation and as a legitimate development result by itself. When it comes to CDS, interventions differ in the extent to which (1) they support capacity development of country systems, and (2) the extent to which their planning, implementation and evaluation make use of country systems.

Although there are important differences between development partners, practice generally falls far short of the commitments made in Paris, Accra and Busan. Many development partners remain reluctant and retain considerable discretion in determining when country systems are ready. Different approaches to measuring country systems are used – they are normative in the sense of having different priorities and understandings of country systems. Studies identify strong disincentives to using country systems – on both the side of the provider and the recipient of development cooperation – that relate to issues including trust, risk, benefits, visibility and control. In the area of CDS, the need for this support to be

provided through country systems has been repeatedly expressed but not translated into action. Studies conclude that fundamental changes in the planning and design phase are needed to strengthen effectiveness. Further potential is found in financial transparency, developing country-led recruitment processes, and improvement of monitoring and evaluability.

Evidence on management of capacity development in four developing countries

To complement the analysis of general policy discussions and practices, an exploration was made of policies and practices in managing CDS in four developing countries. Mozambique, Rwanda, Nepal and Vietnam were selected based on (1) available research evidence and (2) applicability of research findings to similar countries. The countries perform above-average in aid- and development-effectiveness targets, although different assessment models come to different assessments of their country systems. Document analysis assessing general management approaches were combined with an analysis of the health sector. The following table presents an overview.

Overall development cooperation management-approaches range from strong centralised control efforts (Rwanda) to accommodating policies seeking to maximise access to official development assistance (ODA) (Mozambique). Some have adopted policies that include overall objectives for CDS and set out effectiveness principles (Nepal), whereas others have also prioritised specific areas for support (Rwanda, Vietnam). In contrast to this, Mozambique has not set out any overall policy principles for CDS and lacks a formal strategy. In contrast to these different approaches, the research evidence indicates that development partners' CDS practices are hard to manage in all four countries. It remains a challenge to improve transparency of TC and to channel these investments through country systems (Rwanda, Nepal), while in Vietnam the management approach used reorients core ministry capacity from policy-making towards aid management. The evidence further shows that the four countries experience equal difficulty in taking control of CDS offered by their South-South cooperation partners.

This overall picture of policies and practices in managing CDS provides some interesting contrasts with the specific situation in the health sector. The health ministry in Mozambique has taken early steps to promote harmonisation, including through a TC pooling arrangement. However, the situation has worsened in recent years due to many development partners preferring bilateral and heavily earmarked support arrangements. Nepal and Vietnam, two different countries, face similar challenges, as support bypasses and negatively affects health-system capacity. In Rwanda, 60 per cent of the health sector budget is funded through development cooperation, which has led to impressive results but also to an overconcentration on some diseases and system inconsistencies. Similar to Nepal, much TC does not go through government systems but through alternative "channels".

Conclusions and recommendations for further research

Three main conclusions are drawn from this paper. First of all, available research confirms that aid- and development-effectiveness achievements in the area of capacity development have been slow and disappointing, owing to reform-resistance of key stakeholders involved.

Second, considerable potential remains to strengthen the effectiveness of CDS by further adapting approaches to design, deliver and evaluate interventions in reference to key aid- and development-effectiveness principles. Third, a lack of disaggregation of statistics and low levels of investment in evaluation inhibits learning and accountability, and ultimately the improvement of capacity development results.

Based on the analysis presented here, four windows of opportunity are identified as means to improve the effectiveness of external support. First, development partners should decentralise the programming of CDS to their embassies and country representations. Second, active efforts should be made to demystify the support by identifying concrete objectives, improving evaluations and making these publicly available. Third, implementation of the first two recommendations would allow for further disaggregating the OECD/DAC reporting on technical cooperation and allow for separating genuine CDS from projects with other relevant purposes. Fourth, the desk research conducted on developing country management of support confirms that further empirical research in this area can further inform the concretisation and implementation of these recommendations and play a role in improving the effectiveness of support.

1 Introduction: the challenge of supporting capacity development

International development policy discussions recognise that development partnerships only succeed when they are led by developing-country stakeholders. Translating this conviction into effective cooperation requires tailoring external inputs to country-specific contexts, systems and needs. Moreover, international partners need to respect developing-country leadership and resist the temptation to attempt driving the development process by themselves. At the fourth High-Level Forum on Aid Effectiveness in Busan in December 2011, international partners thus committed to promote effective institutions by using *“country systems as the default approach for development cooperation in support of activities managed by the public sector, working with and respecting the governance structures of both the provider of development cooperation and the developing country”* (Busan Partnership for Effective Development Cooperation 2011, 5).

The statement adopted in Busan builds on earlier international policy discussions on how to promote effective development cooperation. These discussions emphasise that development cooperation should be provided to and through “country systems”, which have been defined as covering a country’s processes for planning, budgeting, PFM, accountability and learning. The 2005 Paris Declaration on Aid Effectiveness expressed two key assumptions about the use of country systems: (1) when development cooperation is managed through country systems, this helps to strengthen these systems; (2) external support can help to strengthen the capacity of these systems.

For several decades international development partners¹ have made considerable investments in supporting capacity development in developing countries. Capacity development is defined as *“the process whereby people, organisations and society as a whole unleash, strengthen, create, adapt and maintain capacity over time”* (OECD 2006, 12). The endogenous nature of capacity development implies that there is only a limited role for external development partners, who can support but not drive change. Substantial external support to capacity development is provided by bilateral and multilateral development partners through ODA. These inputs are most often provided through dedicated projects under the heading of “Technical Cooperation”.

Developing countries often experience difficulties in sufficiently taking charge of – and appropriating external inputs to – their capacity development processes. In addition to structural problems and capacity deficits in many developing-country governments, this is also due to the dominant ways in which the external support is designed, delivered and evaluated. CDS is frequently distorted and ineffective due to oversupply, lack of transparent information on the value of – and alternatives to – the assistance offered, or by other development assistance being conditional on accepting capacity development interventions (ActionAid International 2011; World Bank 2001; Land / Morgan 2008; OPM 2003; Whitfield 2009b; DFID 2013).

1 Earlier fora in Paris and Accra used the terms “donor” and “recipient” in relation to the management of “aid”. In Busan the term “aid” was kept but linked to “developing countries” and “providers of development co-operation”. Few are comfortable with the old terms “donor”, “aid” and “recipient”, yet alternatives such as “development partner” and “partner country” are deemed confusing (Wood et al. 2011). This paper uses the terms “development partner” and “developing country” and minimises use of the term “aid”, which captures the current post-Busan situation of a system trying to simultaneously consolidate and innovate.

Only modest progress has been made in applying aid- and development-effectiveness principles in the area of CDS. Given that international aid-effectiveness policy statements are non-binding, progress depends on a shared conviction among actors of the necessity to translate what has been agreed into practice. Although having been praised for “enlarging the tent” of stakeholders in development cooperation, Busan has also stirred confusion as to which stakeholders have committed to what, and to what extent the new commitments add to or replace the existing aid- and development-effectiveness agenda (Eyben / Savage 2012). The drop in international momentum, however, does not keep developing countries from taking own initiatives to optimally benefit from external support.

This paper connects general debates on aid and development effectiveness and the use of country systems in development cooperation to the debate on how to provide effective external support to endogenous capacity development in developing countries. The paper has two aims. First, it seeks to inform international research and policy debates on international aid and development effectiveness, with a specific focus on how to strengthen the effectiveness of support to capacity development. Secondly, the paper seeks to identify key elements for future empirical research in the area of capacity development. The analysis presented is primarily based on a document review of policy discussions, research reports and academic literature on the topics concerned, while semi-structured interviews have been conducted to complement the analysis of policy debates and gather additional information.²

Although there is adequate research evidence on the use of country systems in development cooperation, including the monitoring surveys and external evaluations of the Paris Declaration, there is an important research gap on the use of country systems for interventions to support capacity development. The bulk of research on capacity development is moreover commissioned by development agencies, whereas academic research on this topic is scarce. The desk research carried out for this paper covers four types of documents: (1) general and specific policy documents, (2) statistics gathered by the Organisation for Economic Co-operation and Development (OECD) and other institutions, (3) academic research on aid and development effectiveness and capacity development, and (4) independent research commissioned by development partners and implementing agencies. In addition, the research also looked into available statistics on CDS and consulted development agency publications that describe specific projects to get an overview of the different approaches to support that are being used today (e.g. Woodhatch et al. 2011).

The paper consists of two parts. Part one reviews international aid- and development-effectiveness discussions, the definition and operationalisation of capacity development, and the development of aid effectiveness of external support to capacity development. Section 2 discusses key evolutions on the international aid- and development-effectiveness agenda and contextualises the paper’s research topic in relation to recent evolutions of the international debate following Busan. Section 3 presents an overview of how the concepts of capacity development have evolved and discusses what instruments are used to support capacity development. Section 4 subsequently discusses to what extent instruments can

2 A total of 15 people were interviewed, of which 4 work at the BMZ, 4 at the GIZ, 3 at the KfW, 2 at the EC, and 2 at Eurodad.

make use of developing-country systems, and discusses the (dis)incentives for developing countries and their development partners to use these systems.

The paper's second part looks into practices in designing, implementing and evaluating specific CDS approaches in four countries (Section 5). These countries each represent different categories of partnership between a developing-country government and its international partners, namely a donor-push partnership (Mozambique), an emergent partnership (Nepal), a recipient-pull partnership (Rwanda) and a mature partnership (Vietnam) (Beaulieu / LeBlanc 2006). The analysis looks into general patterns of CDS and governments' policies and practices for managing this support, complemented with an assessment of specific policies and practices in the health sector. This allows for a general appreciation of the extent to which the developing countries concerned and their international development partners are willing and able to plan, design and evaluate effective support to capacity development. Section 6 presents this paper's main conclusions and recommendations.

2 Background: international policy debates on aid and development effectiveness

2.1 From Paris to Busan: ownership as leitmotiv

Efforts seeking to improve the individual and collective effectiveness of public and private resources invested to promote development go back several decades, but the signing of the Paris Declaration on Aid Effectiveness in February 2005 packaged these efforts into an "aid effectiveness agenda". This agenda has been described as *"the best summary we have on the lessons of a half-century of experience in trying to achieve good results and avoid doing harm with aid"* (Booth 2008, 1).

The aid-effectiveness agenda is to an important extent evidence-based as well as led by normative convictions that development partners and developing countries claim to collectively share (Knack 2012, 3). Its central assumption is that external inputs can be effectively managed to contribute positively to a development process led by developing-country stakeholders. The Paris Declaration followed a trend set by the Millennium Development Goals (MDGs) to accompany a non-binding political declaration with a monitoring framework that identifies key targets and indicators. By committing to ongoing reporting in relation to such a monitoring framework, the Paris Declaration as well as follow-up Declarations adopted at subsequent High-Level Fora in Accra (2008) and Busan (2011) seek to function as codes of conduct and sources of peer pressure to facilitate the changes committed to by its signatories.

The aid-effectiveness agenda has been visually represented as a pyramid consisting of five core principles.³ The capstone of this pyramid is the principle of ownership, which the Paris Declaration defines as being fulfilled when *"[d]eveloping countries exercise effective leadership over their development policies, and strategies and co-ordinate development actions"* (PD 2005, 3). Almost a decade earlier, the term "local ownership" was made the core element of the Comprehensive Development Framework of the World Bank and the

3 Ownership, alignment, harmonisation, management for development results and mutual accountability.

International Monetary Fund (IMF) in 1999. This framework defined the basis for ownership as *“a long term vision (...) that balances good macroeconomic and financial management with sound social, structural and human policies”* (Wolfensohn / Fischer 2000, 1). This vision was to be prepared by a developing country in the form of a Poverty Reduction Strategy Paper (PRSP). The PRSPs subsequently informed the Paris Declaration’s choice to operationalise the concept of ownership by developing countries having adopted “operational development strategies”. The related indicator of progress for ownership looked into the number of countries having such plans that are linked to a medium-term expenditure framework and reflected in annual budgets (PD 2005).

The Declaration’s ownership indicator has contributed to a misinterpretation of the concept as a static precondition for effective development cooperation, whereas in practice ownership is an objective that can only be fostered over time through a dynamic process (Leutner / Müller 2010, 52). Although international declarations on aid and development effectiveness may give a different impression, development cooperation is essentially a negotiated relationship. The design, implementation and review of development cooperation is an outcome of this negotiation process. From this understanding, Leutner and Müller (2010, 53) argue that *“[o]wnership is expressed by the ability and possibility of both sides to say ‘no’ to offers as well as to demands.”*

Several studies support the belief that having a PRSP is an inappropriate indication of whether developing countries effectively manage their development process (Dijkstra 2011; Booth 2011; Renard 2006). The existence of an operational national poverty reduction strategy is by no means an indication that a developing-country’s government exercises effective leadership over the development process. The drafting of such national development plans often depends heavily on external inputs and have been adopted primarily by many countries as a means to gain access to ODA and debt relief. In most countries the plans thus did not provide a strong steer to the national development process (Booth 2011).

Other studies observe that development partners distort ownership with the approaches they use and the conditions they set. Under such conditions “capability traps” can develop, a dynamic in which governments constantly adopt reforms to ensure the continuation of ODA flows without promoting any real improvements, which strongly undermines effective ownership (Andrews / Pritchett / Woolcock 2012; De Weijer 2013). Importing institutional solutions through external partners is not intrinsically undesirable, but becomes harmful to development once the process of design and implementation is primarily driven by external partners (Krause 2013). A comparative study of aid management in eight African countries concludes that this threat is real, as in most of these countries the proliferation of development partners and high ODA budgets has diffused government control over its development programme. Most of the studied governments resorted to accepting this situation by pursuing accommodating strategies with the aim of maximising access to external funding, at the expense of strong control over – and ownership of – the development process (Whitfield 2009a; Whitfield 2009b).

Paragraph 13 of the Paris Declaration recognises that *“commitments need to be interpreted in the light of the specific situation of each developing country”*, which would allow for the formulation of more meaningful and contextualised definitions of ownership and related principles to guide further action (PD 2005, 3). This generally failed to happen

due to the tension with the Declaration's monitoring framework, which presents a universal and – given the absence of a baseline at the time of adoption – arbitrary monitoring framework. There is a trade-off between local adaptation and the Declaration's code of conduct function to confirm performance or expose non-performance of both developing countries and their development partners. The independent evaluation of the Paris Declaration concluded that the 12 indicators were insufficiently representative, and in some cases insufficiently reliable, and to a large extent narrowed the scope of the agenda to the content of its monitoring framework (Wood et al. 2011).

The rigid monitoring framework as well as the differing “aid-effectiveness baselines” and challenges in developing countries meant that prescribed aid-effectiveness actions were often overdone or inappropriate. Prevailing top-down implementation approaches led to the agenda going out of control in “congested” developing countries such as Mozambique, or becoming delegitimised in countries where development processes were too dynamic to be guided by rationalist planning and state intervention (Odén / Wohlgemuth 2011; Steinich 2010). A limited number of developing countries nonetheless managed to provide a strong management push for local adaptation, and in that way successfully managed their development partners (Whitfield 2009b).

Although signatories of the agenda generated important international momentum, translating this into practice in the form of effective cooperation has been challenging, and in many cases has remained far below the expectations generated. As important context information for this paper, the next section reviews progress made in policy discussions on aid and development effectiveness since Busan.

2.2 Life after Busan?

Following Paris, the subsequent High-Level Fora on Aid Effectiveness in Accra (2008) and Busan (2011) were much more ambitious in scope and inclusive in process, yet they did not fundamentally change the essence of the Paris Declaration. The Accra Agenda for Action (AAA) did add several time-bound and specific commitments in areas such as aid untying and transparency, as well as a more detailed and process-oriented definition of ownership. However, the low level of performance by the signatories to implement these new commitments reduced its credibility.

Compared to the AAA, the Busan Partnership for Effective Development Cooperation contained fewer concrete and time-bound decisions, and is considered to have more symbolical than operational value due to the non-committal commitment by emerging economies (Keijzer / Moe Fejerskov 2013).⁴ The Busan outcome document also sought to “manage expectations” of development cooperation by stressing the influence of other policy areas beyond development cooperation as well as the central role of the developing countries' own resources for development. Although the outcome document speaks of “building” on the commitments made in Paris and Accra, there was a sense throughout the preparation of the event that key signatories considered the Paris

4 International policy statements on development cooperation are by definition voluntary, but emerging countries nonetheless insisted on additional language on the first page of the Busan document stating that this voluntary nature applied even more to them. See Atwood (2012) for a detailed description.

Declaration as “*well past its sell-by date*” (Eyben / Savage 2012, 3). The imagined geographies of “North” and “South” and discursive struggles on their approaches to cooperation add to a situation in which there is a lack of clarity on the contents of the aid and development effectiveness, and where some now consider this agenda as having been overtaken by events (Eyben / Savage 2012, 3).

The Busan outcome document abandoned the Paris Declaration’s monitoring framework and called for a “global light and country heavy” approach to promoting aid and development effectiveness. This expression indicates a desired trend to tilt the balance of the agenda from standardisation (and the peer pressure it generates) towards more differentiation. The New Deal for Engagement in Fragile States (International Dialogue on Peacebuilding and Statebuilding 2011) should be seen as one such approach to a more context-sensitive and “differentiated” agenda. As expressed in paragraph 35(a) of Busan, a stronger focus on adapting the agenda to country-specific aid and development effectiveness also allows for reducing the international aid-effectiveness “bureaucracy”, which was judged as having become too heavy and top-down. This resulted in the phasing out of the Development Assistance Committee (DAC) Working Party on Aid Effectiveness and the creation of the Global Partnership for Effective Development Cooperation (GP) in June 2012.

A combination of a rather closed GP Steering Committee that lacks transparency compared to the OECD DAC structures, slow progress in formulating a global monitoring framework as well as taking further the “country heavy” bit of the agreement has hampered concrete achievements by the new constellation.⁵ Whereas during the preparation for Accra people spoke of “aid-effectiveness fatigue”, these days one could rather speak of “aid-effectiveness indifference”. At this moment discussions continue in several “building blocks” and platforms that promote discussion on key priorities agreed in Busan,⁶ in preparation for GP Steering Committee meetings and a Ministerial GP meeting planned for the first half of 2014. It is, however, unclear to what extent and how these building blocks and platforms report to, or otherwise feed into, the GP meetings. Their uneven membership moreover reflects varying levels of commitment by some development partners and developing countries to earlier agreements made in Paris and Accra. Few South-South cooperation providers engage actively, while China and India openly criticise the new set-up as “too Northern” and have yet to engage.⁷

Despite the drop in international momentum, the importance of ownership for effective cooperation remains uncontested. The commitment to strengthen effective institutions features centrally in the Busan outcome document and was also recognised in the recent report of the United Nations Secretary-General’s High-Level Panel on the Post-2015 Development Agenda as both a means and an end of future global development efforts (HLP 2013). Support to strengthening institutions through development cooperation is often linked to “capacity development support”. The next section analyses how the

5 For more information see: <http://www.effectivecooperation.org/> (accessed 24 Apr. 2013).

6 See: <http://www.oecd.org/dac/effectiveness/fourthhighlevelforumonaideeffectivenessbuildingblocksponsors.htm> (accessed 22 May 2013).

7 For an example, see this speech delivered by India’s Foreign Secretary in April 2014: <http://mea.gov.in/Speeches-Statements.htm?dtl/21549> (accessed 24 Apr. 2013).

concept of capacity development has evolved over time and how it features in development policy and practice.

3 Understanding and supporting capacity development

3.1 What is capacity and how does it develop?

The concept of capacity development came into vogue during the 1980s (Lavergne / Saxby 1999) and gradually replaced and subsumed other concepts used to describe approaches to support change processes in developing countries, including “institution-building”, “human resource development” and “new institutionalism”. Definition-wise, the different concepts were all related, yet each reflected elements of the dominant development narrative at the time (Kühl 2009).

The importance attached to capacity development in the Paris Declaration further elevated its presence in international policy debates. The Declaration emphasises the nature of capacity development as an endogenous, relational and long-term change process. This international consensus is captured by the following definitions adopted by the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD 2006):

- **Capacity** is the ability of people, organisations and society as a whole to manage their affairs successfully.
- **Capacity development**⁸ is the process whereby people, organisations and society as a whole unlock, strengthen, create, adapt and maintain capacity over time.
- **Support to capacity development** refers to what outside partners – domestic or foreign – can do to support, facilitate or catalyse capacity development and related change processes.

These definitions emphasise that capacity develops endogenously and that there are limits to what outside partners can do to support this development, or, as argued more bluntly by Bossuyt (1994, 1): *“development does not take place by throwing money, projects and expatriates at problems.”* The endogenous nature of capacity development is further strengthened by the focus on “managing affairs successfully”, a deliberate wording that leaves it to the “subject” to judge whether it sees its capacity developing. Woodhill (2010, 49) argues that while this makes sense at the individual level, at organisational and institutional levels *“capacity development becomes rather meaningless in the absence of attention to the objectives of collective efforts.”* Others have criticised the DAC’s definition for depoliticising capacity development by making it appear as value-free solutions to technical problems, and emphasise that capacity development creates winners and losers and is inherently political (Ortiz 2013).

8 Initially the term “capacity building” was used, but was soon accompanied by “capacity development”, which some consider to emphasise the endogenous nature of capacity and its development. The two terms are, however, considered similar, if not identical, and both are still in use today.

Capacity is not an absolute or static state but instead is both relative and dynamic. Moreover, capacity is relational and strongly linked to legitimacy, “*a generalised perception or assumption that the actions of an entity are desirable, proper and appropriate within some socially constructed systems of norms, values, beliefs and definitions*” (Baser / Morgan 2008, 4). Three strategies are used to maintain or increase legitimacy: (1) conforming to socially accepted forms and practices; (2) informing by communicating with constituents using terminology associated with socially legitimate practice; and (3) manipulating to influence constituents’ perceptions using a variety of tools (Brinkerhoff 2005).

The broad nature of the concept as addressing a multi-level and multi-stakeholder development process explains its strong appeal to policy-makers (OECD 2010b; UNDG 2008). Although such a broad concept would seem useful for overall guidance, Hradsky et al. (2010, 2) argue that there is a need to further concretise and specify the concept when it is used, otherwise “*discussions on capacity development tend to become general exchanges on what makes for good development practice.*” It can indeed be argued that capacity development has become so overloaded with meaning that it increasingly becomes a synonym for development assistance (Kühl 2009, 560).

As a possible means to go beyond the general DAC definitions, development partners made efforts to further operationalise the concept of capacity by commissioning studies that distinguish different “dimensions” or “sub-sets” of capacity. Table 1 presents some examples:

Table 1: Comparison of approaches to operationalise capacity			
UNDP (2009) functional capacities	NEPAD (2011) cornerstones	WBI (2012) Intermediate capacity outcomes	ECDPM (2011) core capabilities
Engaging stakeholders	Leadership transformation	Raised awareness	Capability to commit and act
Assessing a situation	Citizen transformation	Enhanced knowledge or skills	Capability to relate
Formulating policies and strategies	Knowledge and innovation	Improved consensus and teamwork	Capability to achieve coherence
Budgeting, managing and implementing	Using African potential, skills and resources	Strengthened coalitions	Capability to deliver development results
Evaluating	Capacity of capacity-builders	Enhanced networks	Capability to adapt and self-renew
	Integrated planning and implementation	New implementation know-how	
Source: Own compilation (Baser 2011; DRN 2012)			

These typologies show a number of overlaps, while at the same time showing differences in emphasis. These imply different priorities for CDS, as well as in some cases differences between the interests and the priorities of the agencies that developed the typologies. All

present a combination of more visible and invisible aspects, that is, an understanding that capacity development requires both soft- and hardware investments. Some approaches use these component parts of capacity to identify capacity baselines and targets as a basis for formulating indicators that can be used to measure progress (e.g. DRN 2012; WBICR 2012; Keijzer et al. 2011). A recent study identified a wide range of approaches that can be used for planning, monitoring and evaluating capacity development, and which ones differ in the extent to which they follow linear approaches to planning, give emphasis to specific aspects of capacity, or specifically focus on the process of supporting capacity development. Some of these approaches are well established and have been in use for a number of years, but many have yet to be integrated into dominant approaches to planning, monitoring and evaluation (Baser 2011). Available approaches also differ in the emphasis they give to standardisation and comparability *vis-à-vis* “transposing” standard indicators to specific contexts and realities.

Despite the critique of its vagueness, available research evidence confirms the key importance of endogenous capacity change for sustainable development. The 2013 Human Development Report (HDR) observed that between 1990 and 2012, a total of 40 countries in the South realised greater human development increases than would have been predicted from their past performance. These gains were due to the countries’ strong ownership of change in three areas: (1) a proactive developmental state, (2) tapping of global markets, and (3) determined social policy innovation (UNDP 2013). The report further finds that few countries would have sustained rapid growth without having made impressive levels of public investment in health and education. The countries thus progressed by taking charge of and driving their own development process and strongly benefited from an approach of “*importing what the rest of the world knows and exporting what it wants*” (UNDP 2013, 4–5).

The analysis of the HDR describes how the “rise of the South” was enabled by countries successfully managing an endogenous process of increasing available capacities, in which development cooperation often played a stimulating, yet far from decisive role. The technological capabilities approach to economic development confirms this by emphasising that accessing technology does not automatically result in efficient use, and that productive capabilities cannot simply be transferred (Whitfield 2011). Doing so instead takes effort and investments, and “*requires learning-by-doing where tacit knowledge is acquired*” (Whitfield 2011, 13). This was well illustrated by South Korea, the host of the fourth High-Level Forum on Aid Effectiveness, and a country that, within less than half a century, managed to rebuild its nation after a devastating war and develop into a high-income country and member of the OECD. Although development cooperation has been important, the country’s capacity mainly developed through the strong and concerted efforts of the state and its citizens, who both prioritised education over anything else (Myung-bak 2011).

Having looked at the origin and definition of the concept of capacity, as well as the successes of many countries in the world in strengthening it, the next section looks into how this concept evolved in the area of international development policy.

3.2 Capacity development support through development cooperation

Most overall development policy strategies over the past two decades have used the term “capacity” in a rather loose and instrumental manner. Whereas many development partners formally subscribe to the DAC definition of capacity, dominant development cooperation practices all too often imply a definition of “capacity” as a country’s ability to successfully cooperate with or implement development interventions. As a result, the term gets used a lot when development cooperation does not achieve the intended results, as this is then linked to a “lack of capacity” on the side of the developing country.

Critical members of parliament, media coverage and influential publications have created strong “value for money” pressures in OECD countries, which have led to unrealistic expectations and political pressures in relation to development. In the area of capacity development, these pressures frequently lead to overambitious interventions that involve capacity substitution instead of support to endogenous capacity development processes (Keijzer 2013). However, this cannot be purely attributed to the development partners, as, in practice, all stakeholders involved may be more interested in “getting things done” than in support that mainly involves hands-off advice (Morgan 2008b, 13). Morton (2013) refers in this regard to a general need for each development programme to find a balance between service delivery and facilitating long-term development.

These research findings support an inquiry into what is actually being done when development interventions are represented as contributions to capacity development. As a means to help distinguish between such approaches, a joint evaluation produced a helpful continuum, which is summarised in Table 2. A more explicit consideration of appropriate role(s) may help to avoid capacity substitution in contexts where this may do more harm than good.

Table 2: A continuum of approaches to support capacity development through technical assistance			
Doing	Direct	Indirect	Hands-off
Donors use experts doing the work themselves in order to achieve results on the ground.	Development partners engaging with country partners through joint planning to implement agreed-upon activities.	Development partners engaging with country processes and support endogenous initiatives and ideas.	Development partners limiting their intervention to paying for proven, measurable or demonstrated progress.
Generally has a capacity-substitution function.	Allows for capacity development through interactions with national staff and country processes.	Local actors remain in charge of the change process, external actors merely facilitated.	This approach is underused and often not associated with CDS.
Source: Land (2007)			

This evaluation and other recent studies confirm that some interventions may successfully mix different approaches, but they also point out the difficulties in shifting from direct to more indirect approaches (Land 2007; Morgan 2008b; AusAid 2011). A further examination of interventions and approaches can be made by

distinguishing between the types of learning and knowledge-sharing that the external interventions seek to facilitate. Table 3 presents two typologies of different types of learning that could be used for this.

Table 3: Different categorisations of learning		
1) Approaches to learning		
Reproductive learning	Communicative learning	Transformative learning
Often needed before other types of learning can occur. Can be gained in different ways, e.g. distance education, self-study and “mimicking”; yet emphasis on formal processes. Involves the process of learning and applying basic concepts, procedures, technical skills, etc.	No clear knowledge or known solutions to identified problems are available. Emphasis on dynamic processes, tends to happen “on the job”. A social constructivist approach requiring human interaction and dialogue.	Although it can benefit from external facilitation, this type is by nature “triggered” and learner-initiated. Driven by realisation that ways of knowing and understanding are incomplete or incompatible.
2) Learning loops		
Single-loop learning	Double-loop learning	Triple-loop learning
Modifying thinking and action based on an analysis of differences between expectations and outcomes. Assumes that problems and their remedies are close to each other, i.e. “Are we doing the things right?” Does not challenge underlying beliefs and assumptions.	Learning through questioning and modifying assumptions or policies behind expectations, i.e. “Are we doing the right things?” Requires understanding and comparing different points of view, and involves learning how to learn.	This involves examining the interrelations between problems and solutions. At an organisational level it involves challenging theories of change, which involves discussing the process of conditions of the learning process, i.e. “How do we determine what is right?”
Source: Learning approaches: Van der Veen (2000, 16–19); learning loops: De Lange et al. (2011, 38)		

External support involves detailed planning and therefore is less suitable for facilitating those types of learning that emerge more spontaneously, given the challenging nature in evaluating knowledge-sharing compared to the more tangible and visible results of development cooperation. Ineffective or absent ownership can result in inappropriate and ineffective approaches. On the side of the developing country, conditions for effective learning processes include ownership and articulation of what type of CDS is needed (from “doing” to “hands-off”). On the side of the development partner, it requires flexible planning and careful monitoring to allow for targeted support to learning processes (involving learning on their part), and a need to avoid the temptation to offer solutions to preconceived problems.

As illustrated above, it can be concluded that analysing capacity development from an “aid” perspective can run counter to the DAC’s own consensus definition and lead to unrealistic expectations and misinterpretations of what is possible through external support. A recent paper made three critical observations. First, it observed that past research fails to provide a deep analysis of the endogenous nature of capacity development. Second, it found that most research takes the perspective of individual development interventions, whereas capacity develops through the interaction of

multiple internal and external influences. Finally, the paper observes that available research insufficiently reflects the perspectives of direct “stakeholders” of the capacity development process (Sato 2013).

There is thus an uneasy match between the “interventionist” nature of the aid- and development-effectiveness agenda and the understanding of capacity development as an endogenous change process that – only to a limited extent – can be supported from the outside and easily outlive the typical development project cycle (Sato 2013; Fowler / Ubels 2010). Attempts to simultaneously investigate both the endogenous process and the external intervention(s) made have resulted in both confusion and frustration (Horton 2011, 5).

Different studies observe that past CDS has been too focused on the individual level and has neglected supporting capacity development at the organisational and institutional levels (Pearson 2011; Manning 2012; DFID 2008; OECD 2006). Knack argues that development results in the social sectors have generated unrealistic expectations on development partners’ abilities to contribute to institutional strengthening, while observing that international development cooperation can contribute unintentionally to the weakening of such institutions (Knack 2012). A similar conclusion was reached by Birdsall (2005), who defines impatience with institution-building as the first of seven “deadly sins” of development partners and concludes that in ODA-dependent countries, the combination of impatience with coordination failure weakens institutions. The next section describes how capacity development features in the aid- and development-effectiveness agenda and how efforts have been made to further operationalise this concept.

3.3 Capacity development in Paris, Accra and Busan

Capacity development claimed a prominent spot in the Paris Declaration, which recognised the need for capacity to allow for the achievement of results, while clearly stating that “[c]apacity 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” (PD 2005, 5).

In the run-up to the Accra and Busan High-Level Fora, informal networks of stakeholders specialised in capacity development convened and adopted written statements in 2008 and 2011, which respectively became known as the Bonn and Cairo Consensus on Capacity Development. These statements mainly sought to raise awareness and influence the content of the draft outcome documents of the Accra and Busan High-Level Fora, which were under preparation at that time. The 2008 Bonn Consensus had a strong influence on the Accra Agenda for Action, which reflected much of its content and wording. In 2011, a broader group of actors adopted the Cairo Consensus, which expressed priorities that, in substance, were more or less identical to the ones formulated in Bonn three years earlier (see Table 4). Although earlier drafts of the outcome document did contain commitments

in relation to technical cooperation,⁹ the final Busan outcome document did not substantially add to what was already agreed in Paris and Accra.

Table 4: Positions on capacity development adopted in Bonn (2008) and Cairo (2011) ¹⁰	
Bonn (2008)	Cairo (2011)
<i>Key message:</i> developing countries commit to capacity development at all levels; external partners strengthen own capacity and adapt approaches to deliver responsive support.	<i>Key message:</i> a shift to an approach that is demand-driven and results-focused, owned by the country, and that builds on existing capacity.
1: Developing countries integrate capacity development as a core element of development efforts	1: Capacity development needs to be at the heart of all significant development efforts (covering parliaments, media, civil society)
2: Developing countries take the lead in addressing key systemic issues undermining capacity development, with external support	2: Domestic leadership of capacity development is essential; existing capacities should be the backbone of any capacity development initiative
3: Developing countries to exercise ownership of technical assistance	3: Supply-driven technical cooperation rarely builds sustainable capacity
4: Joint commitment to support capacity development of civil society and private sector	4: We will involve state and non-state actors (parliaments, media, civil society)
5: In situations of fragility, external partners will provide tailored, long-term, coordinated support	5: Capacity development is a top priority for all developing countries and especially countries affected by fragility
6: Strengthen efforts to expand capacity development knowledge and apply good practice	6: Systematic learning on what works and what does not is key to improved capacity
Source: Own compilation (Bonn Consensus 2008; Cairo Consensus 2011)	

In addition to the wealth of capacity development studies that are available, ongoing governance research initiatives result in findings that are relevant for improving CDS, and show similarities with earlier capacity development research. Four commonalities can be identified: (1) both the capacity and governance research streams seek to operationalise rather general overarching concepts by distinguishing specific inter-related dimensions; (2) both give increasing attention to the need to improve the understanding of the political economy of development processes; (3) both point to a limited role for external support in facilitating development; (4) both criticise supply-driven and normative approaches to development (i.e. “good governance”) and emphasise the need to promote genuine demand-led and tailor-made approaches (Grindle 2005; Booth 2012; Centre for the Future State 2010; Baser / Morgan 2008; Woodhill 2010).

9 The second draft, dated on 16 September 2011, read under paragraph 14(a): “*Developing countries will lead in articulating their needs and providers of co-operation will support them, basing their efforts on agreed plans. Providers of co-operation will refrain from pursuing supply-driven technical assistance and undermining existing capacities. They will channel support to demand-driven and needs-based initiatives, recognising that capacity development encompasses both institutional and human resource development.*” Source: http://cso-effectiveness.org/IMG/pdf/second_draft_busan_outcome_document.pdf (accessed 15 Aug. 2013).

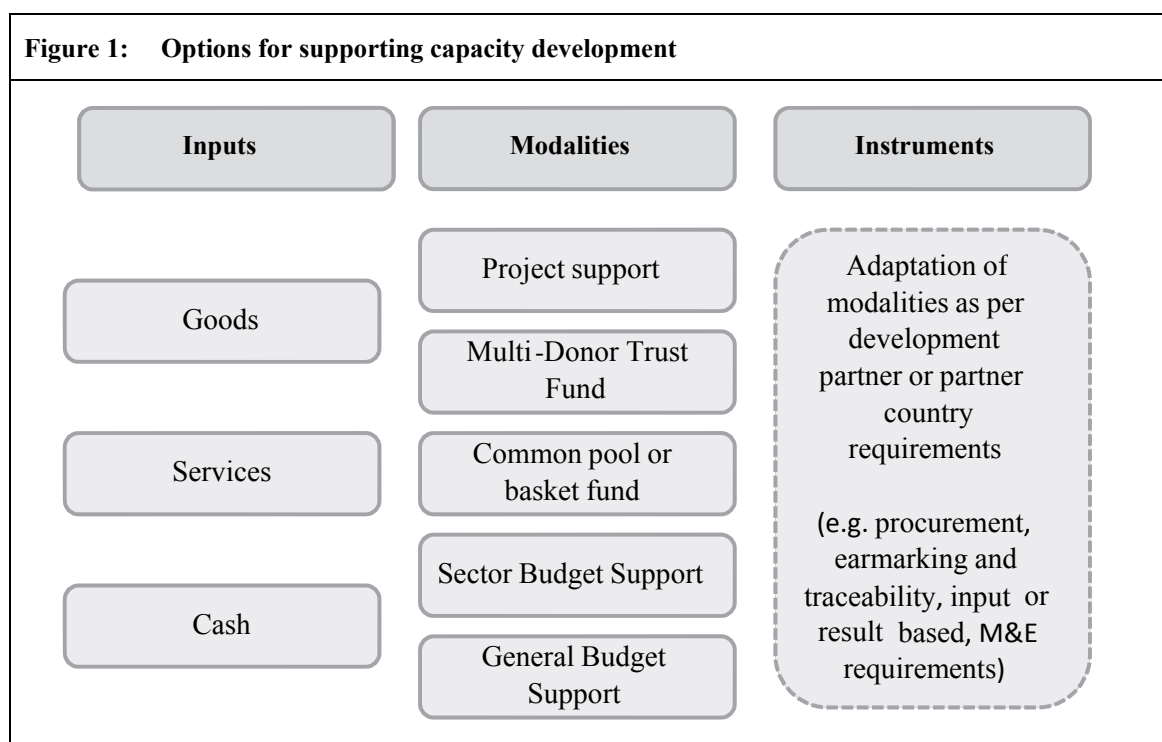
10 Most text presented is directly drawn from the documents but not presented as quotes for readability reasons. The order of the action points differs from the original documents to enable comparison.

Both research streams support and inform the continuing policy priority given to strengthening institutions, which is also highlighted in the report of the High-Level Panel on the Post-2015 Development Agenda (HLP 2013). Having looked into the efforts to operationalise capacity development as a concept in development cooperation, the next sub-section presents and discusses the means that development partners use to support capacity development.

3.4 Supporting capacity development: technical cooperation as the dominant modality

A logical consequence of the broad definition of capacity development and its strong link to ownership is that there is no such thing as “capacity-neutral” development interventions. One can argue that development interventions can roughly be separated into two groups. The first group of interventions supports capacity development in order to achieve results (i.e. capacity as a means to development results). The second group of interventions provides support to capacity as its key objective (i.e. capacity as an end in itself). One should not conclude that the latter group of interventions, by definition, makes a more significant contribution to supporting capacity development than the latter. It may well be the case that some interventions that were not designed with a primary capacity development purpose end up making strong contributions in that regard, e.g. the provision of General Budget Support (IDD et al. 2006). The explicit mandate given to the former group of interventions, however, allows for a more detailed examination of how they are designed and implemented to support capacity development, which is why this paper focuses on this group.

International development partners can support capacity development in different ways (Figure 1):



Source: Own elaboration, based on Sprietzer and Vargas (2011); Janus (2012)

Figure 1 stresses that aid modalities are not uniform or static, but are adapted and transposed into context-specific CDS instruments through the interaction between development partners and developing-country stakeholders. In most cases the development partners have the most control over the terms of cooperation (Klingebiel 2013). The Paris Declaration introduced the term “programme-based approaches” (PBAs) to promote the use of its cooperation principles at the level of individual development instruments. The Declaration defined PBAs as a “*way of engaging in development cooperation based on the principle of co-ordinated support for a locally owned programme of development*” (OECD in SIDA 2008, 6). While being targeted at development cooperation as a whole, the term “PBAs” has, in practice, become narrowed down to the use of so-called new aid modalities (e.g. pooled funding, budget support). Using the term “programme-based approach” in the singular would have been better to emphasise that any modality could be used in a way that meets the criteria that measure, among other things, whether host country/organisations exercise leadership and whether local systems, such as planning and procurement processes, are used.¹¹ Though adopted in 2005, these principles also remain relevant for today’s cooperation, including the recent emphasis on results-based aid (see Box 1).

Box 1: Capacity development and results-based aid

The ongoing discussions, experimentation and gradual upscaling of results-based aid (RBA) has important implications for capacity development in developing countries. Recent studies suggest that the use of RBA, i.e. the disbursement of external investments in the forms of grants or loans once predetermined results have been achieved and verified, can have positive influences on state-society accountability relations by incentivising effective public service delivery (Klingebiel 2012).

Similar to other forms of earmarking through development cooperation, a potential disadvantage is that it can distort a developing-country government’s public sector by making it prioritise RBA-funded results over those that are not (Klingebiel 2012, 15). In addition to public sector performance, this may also overstretch their capacity, which is, however, challenging to assess because patterns of both capacity development and performance are typically uneven and asynchronous. One can therefore best analyse performance as “*an emergent pattern that comes about through the interactions of many elements both internal and external*” (Baser / Morgan 2008, 88). Notwithstanding the absence of a direct link, the literature emphasises the importance of interventions to be “capacity-sensitive”. Promoting results while assuming that “capacity will follow” – or worse, by implying that the development of such capacity is not relevant – can reinforce capability traps or cause “institutional confusion” (Dijkstra 2013, 19; Andrews / Pritchett / Woolcock 2012).

Most external support dedicated to support capacity development uses the project support modality and is grouped under the general heading of technical cooperation. The origin of this term goes back to the very first session of the General Assembly of the United Nations in 1946, during which TC was recognised as a necessary complement to the transfer of financial and material resources that were committed to (Bossuyt / Laporte / Van Hoek 1995). The term covers a wide amalgam of interventions that includes short- and long-term personnel, training and research, twinning,¹² peer support and associated costs. The use of short- and long-term personnel is also referred to as technical assistance

11 See SIDA (2008, 20–21) for a full overview of these principles.

12 Twinning involves facilitating exchange of knowledge and experience between two or more organisations.

(TA), a subset of TC.¹³ The total amount of TC provided through ODA is estimated at US\$ 25 billion per year in 2010 (Hradsky et al. 2010), while other studies estimate it at 25 per cent of global ODA (DFID 2013; Morris / Pryke 2011; Hradsky et al. 2010). Determining what proportion of the overall volume of TC contributes to supporting capacity development processes is, however, a complicated matter.

International development statistics do not differentiate between TC and TA, but instead distinguish between two types of TC grants: (1) free-standing technical cooperation (FTC), which is the provision of resources aimed at the transfer of technical and managerial skills or of technology for the purpose of building up general national capacity without reference to the implementation of any specific investment projects; and (2) investment-related technical cooperation, which is the provision of technical services required for the implementation of specific investment projects (IMF in OECD 2007; OECD 2006; OECD 2010a).

The FTC category is a problematic one for research on capacity development. First of all, support reported as FTC is far too heterogeneous to merit a conclusion that all support seeks to promote *“national capacity development by means of a transfer of skills.”* While funding for students, volunteers, training equipment, consultants and researchers can no doubt be useful, it does not automatically contribute towards helping developing countries *“unlock, strengthen, create, adapt and maintain capacity over time”* (OECD 2006, 12). FTC can, for instance, involve development partners flying in their experts to lead on the preparation of development projects, often under demanding, short time-frames. Secondly, some development partners have gradually integrated capacity-development-oriented technical cooperation components into larger (often project) interventions that are not reported as FTC. For those interventions, it is hard to assess what proportion is dedicated to support capacity development (Hauck / Souto 2007; NORAD 2010).

The ambiguity in FTC reporting has been recognised by the OECD for some time. In 2006 the former DAC Chair Richard Manning acknowledged that *“a good deal of what the DAC scores as TC has little to do with capacity Development”* (OECD 2006, 23). Although FTC continues to be reported on until today, in 2009 the Reporting Directives were updated to include reporting on eight “types of aid” (OECD 2009). One stated reason for introducing the classification was to disaggregate reporting on TC.¹⁴ Annex 1 to this paper presents an overview of ODA per type of aid for the periods 2010 and 2011. It helps in gaining an insight into the proportion of FTC-reported activities that concern expenditure on donor country personnel, technical assistance, scholarships / training and imputed student costs. Most of the FTC-reported activities, however, fall under the larger category of “project-type interventions”, which is by far the largest of all 15 types of aid. This category includes, for instance, CDS delivered by multilateral and civilateral organisations and cannot be disaggregated further, and it seriously limits the potential of the types of aid categorisation to disaggregate FTC expenditure.

13 Despite this difference, the terms “technical cooperation” and “technical assistance” are often used interchangeably in the literature. The term TC in this paper should mainly be understood as restricted to long- or short-term experts, trainings and workshops and twinning. TA is used as a synonym for TC if this was the case in the references cited.

14 See: <http://www.oecd.org/dac/stats/dacstatisticsanewclassificationbytypeofaid.htm> (accessed 30 Jul. 2013).

Despite the improved information on the proportion of some TC expenditure, one remains with a general picture of technical cooperation as roughly a quarter of world-wide ODA, of which the contribution to capacity development is opaque and hard to measure for multiple reasons: (a) it is not clear whether all support reported as FTC seeks to contribute to capacity development, and if so to what extent; (b) when capacity development *is* the purpose, baselines are often missing, objectives defined for the support are frequently hard to measure and, even when they are clear, the monitoring is incomplete; and (c) independent evaluation investments in CDS are relatively low compared to other types of development interventions and often not available in the public domain.¹⁵

The low levels of investment made in evaluating the results of technical cooperation are a striking feature. The frequent baseline and monitoring deficiencies of capacity development interventions effectively disable independent evaluations that seek to assess the contribution of such projects at the level of what is defined as outcomes and impact (IEG 2005; IEG 2008; De Lange et al. 2011). In addition to a lack of a knowledge base as to what works or does not work in CDS, the underinvestment in evaluation also obscures the possible perverse effects of current approaches. Such perverse effects also influence developing-country stakeholders' understanding of "capacity development". Such misperceptions are particularly linked to CDS that is offered through training and workshops (see also Box 2).

Box 2: Capacity development means workshops and per diems?

Reflecting on decades of development cooperation in Tanzania, Rajani (2010) identifies three reasons as to why past capacity development projects have generally failed. First of all, the support concentrates on the design phase of the policy cycle (laws, policies) while neglecting implementation. Second, the support provided is supply-driven, in the sense that the agenda and the analysis underlying it are predominantly shaped by those who commission, design and deliver the support. Third, there has been limited evaluation, resulting in approaches being labelled "new" and "innovative" when in reality these repeat what has been tried before. Tanzanian participants are thus unconvinced of the value of these exercises, which is why external inducements such as sitting allowances, top-up pay and per diems have become the main incentives for people to participate.

A recent evaluation commissioned by the Norwegian Agency for Development Cooperation (NORAD) similarly concludes that these allowances create powerful incentives for "*turning donor-funded projects into exercises of repetitive 'capacity-building', where most funds are spent on costly seminars and workshops of doubtful effectiveness and relevance to project output and long-term impact*" (Søreide / Tostensen / Skage 2012, 96). The evaluation observes that development partners are typically quick to suggest capacity-building as part of a strategy to improve service delivery. Although organising a training programme can leave the organisers with a sense of achievement, robust evaluation of these activities is the exception rather than the rule. In most cases no pre-assessment is made to determine the level of competence and capacity before the training is done, while in most cases *ex post* assessment is done through end-of-workshop surveys. Further investment and improvement in evaluations may help to differentiate between useful and useless training and signal cases of per diem misuse (Søreide / Tostensen / Skage 2012, 96). This would also help to change local perceptions of capacity development.

One way forward would be to disaggregate the technical cooperation statistics and separate genuine support to capacity development from support given to other legitimate

15 General budget support (IDD et al. 2006) and sector budget support (Williamson / Dom 2010) have been subject to high-profile joint evaluations, while accounting for lower proportions of ODA. Another indication is that financial cooperation providers generally publish project evaluations on their websites, whereas technical cooperation agencies as a rule do not disclose such evaluations.

purposes. Recent TC guidelines produced by the European Commission (EC) present a useful distinction of four purposes for technical cooperation: (1) Capacity development TC (of organisations and individuals); (2) Policy and advisory TC (providing policy and/or expert advice, or making other knowledge products available); (3) Implementation TC (strengthening implementation of services, investments, regulatory activities); (4) Preparatory TC (preparation / facilitation of EC cooperation). The EC considers capacity development to be the primary aim of TC and stresses the need to make an explicit choice for one or more of the four purposes transparent in the support as designed and delivered. This would help avoid having TC be claimed to support capacity development when in fact this is not the case (EC 2009, 10).¹⁶ The EC categories are useful but should be made more operationalised, e.g. they were not applied in a study to prepare the EC's methodology for evaluating technical cooperation (DRN 2012).

This section identified deficient reporting, evaluation gaps and the related absence of a knowledge base on the effectiveness of CDS as reasons for the lack of fundamental reform in dominant approaches to CDS – as found by a large body of studies. The next section further analyses the observed reform-resistance of approaches to CDS.

3.5 Interrogating the reform-resistance of capacity development support

Strong investments have been made in recent years to learn how change does or does not happen in developing countries as a means to improve development interventions. Development partners who invest in such political economy analyses have, to date, generally failed to use them to make fundamental changes in their interventions (Booth 2012). It has been pointed out that *“the political economy of donor countries themselves often makes it difficult for evidence and lessons to be taken on board and applied, or tricky for governance issues to be adequately addressed. Here too there is a need to look at the incentives involved, the underlying interests, and the blockages and opportunities that might be presented”* (Cronin 2013).

One key criticism of the aid- and development-effectiveness agenda as a whole is that it misrepresents the formulation and implementation of development policies as a technical process aiming to identify and optimally implement effective interventions in support of internationally agreed development outcomes. In reality the objective of providing optimally effective development assistance has to coexist with a range of other objectives and considerations, e.g. geopolitical, security and commercial objectives. Stakeholders who are on the “recipient” end of development cooperation obviously also balance various objectives in the management of their affairs, including external inputs provided. Many stakeholders may not be convinced of the need to introduce all changes agreed in Paris.

Many studies observe that development partners have made only timid and tentative steps towards reforming their approaches to supporting capacity development, and that a significant proportion of support fails to respond to the criticisms of the past, e.g. by continuing to be supply-driven, tied, or insufficiently monitored and evaluated (e.g.

16 Earlier studies made such efforts, e.g. a study on Nordic technical assistance personnel found that 65 per cent of the technical assistance personnel assessed were implementing project goals (Forss 1990 in Bossuyt / Laporte / Van Hoek 1995, 21).

ActionAid International 2011; OECD 2006; World Bank 2001; Bossuyt / Laporte / Van Hoek 1995; Land 2007; Land / Morgan 2008; Whitfield 2009b; Lawson et al. 2012; Whitfield 2009a). Morgan (2008a) observes a paradox whereby most development partners and countries want to improve the performance of TA, but fail to achieve major gains. Actual reform is rather slow and incremental and tends to provide a basis for a new wave of criticism, resulting in a cycle of “*criticism-discussion-reform-dissatisfaction-criticism*” (Morgan 2008a, 2).

The slow changes in internalising and realising the aid-effectiveness agenda in the area of CDS can be explained in relation to the interests of the ODA delivery system itself. In a recent analysis of German ODA allocation and partner-country selection, Faust and Ziaja (2012, 7) refer to what Easterly (2002) has dubbed the “cartel of good intentions”. In many OECD countries, implementing agencies involved in the management of the ODA budget have developed special interests of their own that may go against certain elements of the aid- and development-effectiveness agenda (Easterly 2002). Faust and Messner (2007, 7) add that “*organizations – as collective actors – have a major and fundamental interest in securing both their own survival and the greatest possible autonomy for their actions.*” Given these interests, they tend to only selectively provide information to the principal(s) that use them as an intermediary to deliver development cooperation. At a more general level, serious principal-agent problems lead to development actors seeking to demonstrate success while using unfilled objectives to demand more funds (Faust / Messner 2007; Wood 2003).

In addition to institutional interests and related path-dependency of support, another possible reason why ineffective practices persist is that existing instruments perform very well in developing the capacities of the individuals who are supposed to facilitate the capacity development of others. In addition to serving the individuals, the practices may also indirectly serve those who contract them. Development cooperation agencies are known to be poor learners, as they are plagued by frequent job changes and internal transfer as a major path for promotion; a politicised design process that obscures the process of designing development interventions; and higher attention to project identification and appraisal over supervision, monitoring and evaluation (Berg 2000). Development agencies moreover often face a “capital city trap” that keeps many officials from direct exposure to the “field” in any significant way (Manning 2012; Chambers 2006; Booth 2013). This creates a need for technical assistants to serve as the agency’s “eyes and ears” in the “field”, which often results in such assistants acquiring informal aid-management tasks that go beyond, or even against, their formal mandates.

The importance of technical cooperation for development partners, as opposed to for capacity development, may explain the absence of a functioning “market” for technical cooperation. Available studies point out that the costs of TC only influence supply and demand to a limited degree, whereas the practice of providing almost all of it in the form of grants leaves the question of developing countries’ willingness to pay for CDS unanswered (Keijzer 2013). Three practices in particular distort the market: the tying of assistance, bundling assistance into larger intervention packages and fragmentation of support (OPM 2003). The practice of tying is the most contentious of these three and receives most attention in the literature.

Aid tying is defined as development partners providing assistance under the condition that certain goods and services are purchased from firms “at home”, or directly involve stakeholders in the country providing the development assistance, e.g. universities or the private sector (Radelet 2006, 7). In 2009, 64 per cent of all bilateral technical cooperation was reported as untied, 22 per cent was tied, while the status of the remaining 14 per cent was not reported (OECD 2011 in DFID 2013, 19). One proclaimed rationale for tying is that it increases public support to development cooperation, which some development partners have indeed purposefully promoted in the past.¹⁷ While such intended effects may or may not occur, tying of development cooperation is known to reduce the effectiveness of development cooperation: (1) it undermines ownership of the development process by placing purchasing decisions in the hands of development partners; (2) it decreases value for money by increasing the costs of supply; and (3) it fails to boost the national socio-economic fabric by not sourcing supplies and advisory services through the local economy (Ellmers 2011, 13; World Bank 2001, 200; Clay / Geddes / Natali 2009).

In 2001 the DAC adopted recommendations on untying assistance, which excluded FTC from the tying reporting requirements (Clay / Geddes / Natali 2009). A recent OECD report discusses the additional untying commitments made in Accra and Busan and concludes that they “*in no way alter or expand the coverage of the 2001 Recommendation.*” The OECD members agreed that, in the end, it is up to each member to decide how to interpret the agreements made in Accra and Busan and determine any further steps (OECD 2013, 6).

The reform resistance and lack of effectiveness of CDS can also be explained by the underinvestment of many developing countries in human resource development, and in particular in ensuring functioning and functional education systems. These and other factors have contributed to strong performance disincentives among civil servants (Wohlgemuth 2005). These disincentives were partly shaped by economic collapse during the 1980s and slow growth during the 1990s, which resulted in a cadre of “*under-paid, insecure and demoralized public sector officials.*” Given these persisting challenges, some argue that the continuing prominence and priority of capacity development in development cooperation “*is more a sign of previous failure than anything else*” (Wohlgemuth 2005, 16).¹⁸ If countries had seriously invested in human resource development, there would have been a better local market for technical assistance, which would have reduced the tendency to rely on the “resident expatriate local counterpart model” (Berg 2000, 26).

In countries that are highly dependent on ODA, the lack of improvement in capacity development at the organisational and institutional levels can result in the failure of the public service to enable key staff to operate productively, as well as to attract and retain

17 One example is the Danish government, which, during the 1960s, purposively tied a portion of the budget to the Danish private sector. This resulted in increased political support by influential business federations to Danish development cooperation (Lundsgaarde 2013, 53–55).

18 A recent report observed that, in the Philippines, a combination of uncompetitive civil service salaries and political influence over appointments have had profound consequences on the public sector’s capacity. As a result, neighbouring countries that were once on par with the country have now left the Philippines behind, which continues to rely substantially on technical assistance (AusAid 2010a, 5, 10).

such staff (Manning 2012, 19). In such situations, technical assistance may resort to unsustainable gap-filling practices, particularly when the perceived net present value of a direct intervention is greater than the net present value of delaying the intervention, so as to associate local technicians with the process (Grey in Godfrey et al. 2002, 356). In the case of Cambodia, unsustainable technical assistance practices included competition between development partners, who felt pressured to provide additional financial allowances when offering trainings and capacity development programmes (Godfrey et al. 2002). While this article thus observed a vicious cycle involving a chronically underfunded government and limited capacity development gains, another study conducted six years later presented evidence of changes in behaviour of both the government and its international partners. It noted a stronger emphasis on capacity development, better management and agenda articulation by government and increased coordination performance. At the same time, the study identified that many opportunities for positive change remained untapped, both with the development partners and with the government. A stronger involvement of government in identifying, contracting and managing support was considered a key means to move forward (Land / Morgan 2008).

At the time it was adopted, one of the most ambitious commitments included in the Paris Declaration was increasing the use of developing countries' own systems and procedures in development cooperation. This was linked to general commitments for reducing the tying of aid and seen as a key means to enable government leadership over development cooperation in partner countries that were strongly dependent on ODA. The next section analyses these commitments in detail and the research evidence on applying them in the field of CDS.

4 Capacity development support through developing country systems

4.1 Country systems and external support

Although the term has featured in discussions on aid and development effectiveness since the early 2000s, the question of what is meant with "country systems" is actually not straightforward. The Paris Declaration uses the term "country systems and procedures", which it defines as including, but not being limited to, "*national arrangements and procedures for public financial management, accounting, auditing, procurement, results frameworks and monitoring*" (PD 2005, 4). Another paragraph of the Declaration lists public financial management, procurement, fiduciary safeguards and environmental assessments as examples of country systems (PD 2005, 1). The Declaration's monitoring framework further narrows the operationalisation of country systems to two indicators covering the quality of developing countries' PFM and the use of procurement systems by development partners. This has led to misinterpretations of the concept of "country systems" as primarily referring to financial systems (Glennie et al. 2012).

Instead of this prevalent narrow understanding, the commitment to using country systems should be interpreted in relation to the Declaration's key objective of developing countries taking charge of their own development processes, for which external support is but one of many ingredients. The Declaration's signatories assume that using country systems in development cooperation will in itself contribute to strengthening such systems. Doing so would lead to the development partner adopting elements of "*the accountability*

framework that links recipient citizens with their governments” (Rogerson 2005, 535). To this end, the Declaration includes additional commitments by development partners to support developing countries in their efforts to strengthen their *“capacity to plan, manage, implement, and account for results of policies and programmes”* (PD 2005, 5).

When it comes to the specific area of CDS, interventions can be further grouped in relation to (1) the extent to which the CDS provided seeks to directly strengthen country systems or pursues other objectives, and (2) the extent to which the interventions are planned, implemented and evaluated through country systems. Capacity development interventions thus differ on the extent to which they directly and purposefully seek to contribute to the strengthening of country systems (i.e. support *“to”* country systems) and to what extent they seek to purposefully strengthen these systems by using them (i.e. support *“through”* country systems).¹⁹

Available research evidence does not directly tackle the challenge of how to provide capacity development to and through country systems. Only a handful of studies deals with the *“how”* of designing CDS of country systems (e.g. Ecorys 2011), while a larger body of research takes a macro-level perspective on the extent to which development cooperation makes use of country systems. Given this paper’s focus, sections 4.2 and 4.3 will first examine overall policy trends, incentives and performance in the use of country systems, followed by a more detailed analysis of CDS through country systems.

4.2 Country systems: commitments and how to measure them

The Paris Declaration’s commitments on using country systems were subject to considerable debate in the run-up to the Accra High-Level Forum in 2008, resulting in its outcome document’s call for using country systems as the *“default option”* in development cooperation and a list of actions for development partners: transparent decision-making; conducting joint analysis with developing countries; and developing their own capacity to work through country systems. Last but not least, development partners resolved to *“aim to channel 50% or more of government-to-government assistance through country fiduciary systems”* (AAA 2008, 3). In the run-up towards Busan, partner countries expressed disappointment on the lack of real change and pushed for further commitments (Partner Country Contact Group 2011). The Busan outcome document, however, did not increase the level of ambition and instead implicitly legitimises differences in performance between development partners, as per the agreement to use *“country systems as the default approach for development cooperation in support of activities managed by the public sector, working with and respecting the governance structures of both the provider of development cooperation and the developing country”* (Busan Partnership for Effective Development Cooperation 2011, 5).

Policy discussions in the run-up to these fora benefited substantially from detailed studies that sought to operationalise and monitor what had been agreed. A study for the

19 The words *“to”* and *“through”* are also used in Glennie et al. (2012) as well as in OECD discussions on providing support to and through non-governmental organisations.

Collaborative Africa Budget Reform Initiative (CABRI) distinguished between eight components of using country systems (Table 5).²⁰

Development partners can use country systems in various degrees for each individual instrument that they manage. Their policies can establish principles for the (non-)use of specific components for cooperation in general, or for specific aid modalities. The type of inputs used for cooperation also matters in this regard. In most developing countries, the use of concessional loans requires the involvement of parliament and therefore uses some aspects of country systems by default, whereas for grants this is also the case when modalities such as budget support are used. It becomes more complicated when assistance is not provided in the form of cash but as goods or services, as these inputs would, for instance, first have to be costed before they could be reflected in a government's budget.

Table 5: Eight components of using country systems in development cooperation	
1) Planning	External financing is integrated in plans and budget requests
2) Budget	External financing is reported in budget documentation
3) Parliament	External financing is included in appropriations approved by parliament
4) Treasury	External financing is disbursed into the main treasury account and managed through government's systems
5) Procurement	Externally-financed procurement follows government standards and procedures
6) Accounting	External financing is recorded and accounted for in government accounting system, in line with chart of accounts
7) Auditing	External financing is audited by the supreme audit institution
8) Reporting	External financing is included in <i>ex post</i> reports
Source: Adapted from Sprietzer and Vargas (2011, 47)	

The commitments and monitoring indicators agreed in Paris and Accra recognise that the nature and quality of country systems need to be measured in order to inform decisions on to what extent they can be used in development cooperation. Paragraph 19(b) of Busan calls for joint and mutually agreed assessments of country systems, but notes that “*providers of development co-operation will decide on the extent to which they can use country systems.*” As they also make the eventual judgement, many development partners also make independent decisions on which approaches to use to measure the quality of country systems. Moreover, they show considerable differences in assessment practices (Sprietzer / Vargas 2011, 24). Instead of choosing one particular approach, developing countries and their external partners can also compile a “dashboard” of indicators that are deemed a best fit to monitor the development of PFM in the country concerned (De Renzio 2013). Table 6 presents a number of examples of monitoring approaches that are used by different development partners.

Table 6: Available approaches to monitor public finance management	
Country Policy and Institutional Assessment (CPIA)	The CPIA is managed by the World Bank and rates countries against a set of 16 criteria, grouped into four clusters: (a) economic management; (b) structural policies; (c) policies for social inclusion and equity; and (d) public sector management and institutions.

20 An earlier publication by CABRI (2009) discerned seven components and excluded “procurement”.

Public Expenditure and Financial Accountability (PEFA)	The PEFA programme is a multi-donor partnership between seven development-partner agencies and international financial institutions to assess the condition of country public expenditure, procurement and financial accountability systems and develop a sequence for reform and capacity development.
Open Budget Index (OBI)	The Open Budget Initiative, a global research and advocacy campaign, manages the Open Budget Index. This index assigns a score to each country based on the information it makes available to the public throughout the budget process. The index is published annually.
OECD International Database of Budget Practices and Procedures (DBPP)	This database contains the results of the 2007 OECD survey of budget practices and procedures in OECD countries; the 2008 World Bank / OECD survey of budget practices and procedures in Asia and other regions; and the 2008 CABRI / OECD survey of budget practices and procedures in Africa.
Methodology for Assessing Procurement Systems (MAPS)	This is the official Paris Declaration measure for assessing the quality of procurement systems, based on a methodology developed by the OECD. Due to its low sample size and one-off nature of the assessment, it is not useful for monitoring a country system's quality in its current form.
Source: Own compilation	

Given the observed low level of performance of – and disappointment over – the use of country systems in development cooperation (Wood et al. 2011), it is worth taking a closer look at incentives and disincentives to use these systems.

4.3 (Dis)incentives for using country systems

Despite the consensus on the development benefits of doing so, development partners have lagged in implementing their commitments on using country systems, particularly those in relation to procurement. A recent survey found that only 20 per cent of the responding development partners use country systems as the first option. Other development partners follow a “can use as long as” approach, whereby assessments are used to determine whether certain approaches can be used in certain countries (Sprietzer / Vargas 2011). Several studies observe a weak correlation between the quality of countries' systems and the use thereof by development partners (CABRI 2009; Ellmers 2011; Sprietzer / Vargas 2011; IEG 2011). The lack of a clear correlation between the quality of developing-country systems and the use thereof by development partners confirms that development partners do not just decide based on the perceived risk levels and quality of the systems. Instead of supposedly objective assessments, the political dynamics “at home” strongly inform development-partner decisions to take or avoid risks perceived in using country systems (Giubilo 2012).

A recent World Bank Working Paper reached a different conclusion, namely that development partners' use of country systems is positively and significantly correlated to the quality of these systems.²¹ The paper's assessment was based over a period of several years and combined Paris Declaration monitoring data with CPIA scores and the Bank's Control of Corruption indicator (Knack 2013). Although the findings point to a link between the quality of systems and the use thereof by development partners, it is suggested that this effect may be temporary and particularly related to the “peer pressure”

21 This conclusion was found not to apply to the United States, France and the UN system (Knack 2013, 7).

created by the Paris Declaration and related international commitments. In the absence of such peer pressure, future decisions on using systems will be more strongly influenced by subjective assessments of risks (Knack 2013, 29). Although reaching a different conclusion than other papers, the analysis in Knack (2013) suffers from similar limitations, namely the use of Paris Declaration monitoring data and the related use of the contested World Bank CPIA index for determining the quality of country system.²²

Despite the widespread conviction that using country systems for development cooperation strengthens these systems, development-partner incentives to using such systems is low. One reason to explain this is that the benefits of using country systems are mostly external (i.e. benefiting other development partners) and long-term, whereas the costs are short-term and fully internalised by the development partner concerned. Support through country systems thus largely becomes the provision of a public good for other development partners (Knack 2012, 6).

In addition to this “prisoner’s dilemma” (Danielson et al. 2002, 165), four development-partner disincentives to the use of country systems on the part of development partners can be discerned: (a) higher overhead and management costs compared to using development-partner systems, (b) perceived higher fiduciary risks involved, (c) reduced possibilities for pursuing goals other than poverty reduction in general, and possibilities for aid tying in particular, (d) reduced visibility of external contributions and increased difficulty in communicating the contributions to parliament home constituencies (i.e. the development partner’s own “country systems”) (Knack 2013; Sprietzer / Vargas 2011).

Some developing countries may themselves prefer development cooperation to be delivered outside their systems because assistance using their own systems has been found to be slow in materialising, more demanding in management terms, and frequently less predictable (Sprietzer / Vargas 2011, 27). More frequently, it is argued that uncoordinated and parallel development cooperation creates incentives for higher ranks of the public service and other elite groups in society, e.g. access to trainings and the benefits these bring, as well as to project-funded hardware (Danielson et al. 2002). In many countries, the central planning and finance ministries are more in favour of centralised approaches to development cooperation that use country systems, while line ministries may prefer more fragmented cooperation that allows for direct relations with development partners.

These incentives partly explain why developing countries and their partners who *de jure* commit to strengthening country systems may *de facto* show practices that weaken such systems, e.g. by creating parallel delivery structures or “poaching” competent staff from the public service for project delivery (Klingebiel / Mahn 2011, 4). Combined with other negative aspects of development cooperation such as fragmentation of development cooperation, the sum effect of ODA on bureaucratic quality in developing countries appears to be negative (Dijkstra 2013, 18; Faust / Messner 2007). The next section assesses further to what extent this general picture also manifests itself in the area of CDS.

22 Dijkstra (2011) argues that the World Bank’s decision to make the CPIA tool public in 2005 stimulates countries to improve ratings as a means to improve aid allocation, whereas the index has been criticised for being normative and for promoting policy changes that are not likely to promote economic growth. A detailed analysis by Van Wayenberghe (2009) concludes that the CPIA ultimately reflects the idea that less government intervention is always better.

4.4 Using country systems to support capacity development

4.4.1 Capacity development support through country systems: commitments to change

Although there is adequate research evidence on the use of country systems in development cooperation – including the monitoring surveys and external evaluations of the Paris Declaration – there is an important research gap on the use of country systems for interventions to support capacity development. A recent literature review notes that past reviews of capacity development interventions generally do not consider the importance of using country systems for the effectiveness of such support, or indicate that, despite using these systems, the interventions were nonetheless ineffective (Glennie et al. 2013, 34).

The relative absence of research evidence contrasts with substantial attention to this topic in international policy discussions. Three years before the Paris Declaration was adopted, the UN Conference on Financing for Development in Monterrey called for efforts to *“enhance recipient countries’ input into and ownership of the design, including procurement, of technical assistance programmes; and increase the effective use of local technical assistance resources”* (UN 2002). Similar intentions were expressed in Accra: technical cooperation should be jointly selected and managed, and the use of local and regional resources should be promoted (AAA 2008, 2). In the run-up to Busan, a statement adopted by 19 developing countries and 13 development partners in Thailand could not do more but repeat these commitments, while emphasising that *“[o]wnership must meaningfully exist where Technical Cooperation is undertaken”* (Bangkok Call to Action 2011). In a similar vein, the Partner Country Contact Group published a position paper in the run-up to Busan that called on development partners to *“refrain from pursuing supply-driven technical assistance (despite good intentions) and to respond to our demand-driven and need-based initiatives”* (Partner Country Contact Group 2011, 7).

The next three sub-sections analyse the literature in relation to the following key questions on the extent to which CDS uses country systems, each of these grouping the components for the use of country systems, as introduced in Table 5:

- How do countries articulate demand for CDS and how is this operationalised into specific interventions? (components 1–3)
- How is the support procured and provided? (4–6)
- How is the support monitored and evaluated? (7 and 8)

4.4.2 Articulation of demand and the design of capacity development support

The articulation of demand is a first and essential step for ownership of the support by the partner country. If preparation at this early stage is inadequate, it is unlikely to be “repaired” downstream. Participation of developing-country stakeholders in formulating TC projects is, however, frequently inadequate, among other reasons because organising this requires substantial resources and time by all involved (Keijzer 2013). Although these

insights are far from new, terms of reference (ToR) drawn up by development partners too often fail to clarify lines of accountability between the funder, provider and recipient of support, or in worst cases do not give a single recipient actor authority over the support programme. Moreover, even when ToR are clear, development partners' actions often undermine the written agreement by seeking direct management of the support (Morton 2003, 11). This has been recognised in more recent years, and some development partners now make capacity development projects fully accountable and answerable to developing-country authorities, whereas others promote hybrid approaches (Land 2007; Land / Morgan 2008).

CDS is most often provided as a grant, frequently with a lack of detail on the specific budgets involved. Whereas using loans or introducing co-financing would test countries' willingness to pay for support and often require approval by parliament and be reflected in the government budget, this is not automatically the case with grants (Keijzer 2013, 3). The tendency of technical cooperation to be provided as a component of larger grant-based interventions often results in a "take-it-or-leave-it" option for governments. Land and Morgan (2008, 17) note that fear of losing access to external cooperation is one of the main reasons for the phenomenon of "tolerated TC". It also leads to perceptions of TC as being a "free good", which is incorrect because of the developing country's incurred costs in managing the assistance provided (e.g. office space, use of facilities, counterparts) (OECD 2006). The fact that TC remains a disputed component of the OECD's concept of Country Programmable Aid (CPA)²³ indicates that CDS struggles to become more demand-driven (Benn / Rogerson / Steensen 2010). It has been disputed to such an extent, in fact, that independent CPA analysis chose to exclude TC altogether (Kharas 2008).

Contributions to international discussions on how to promote effective ownership in development cooperation frequently emphasise the need for "demand-driven" cooperation. The use of the term "demand" in the specific context of support to capacity development raises the question as to whether there is a "market" for such support, and, if so, how it behaves. Several forms of market failure in relation to externally financed advisory services have been observed (Table 7).

Table 7: Market failures in capacity development support	
Information asymmetry: selection	A tendency to restrict selection of providers of expertise to those with a proven track record, creating high barriers for entry
Information asymmetry: monitoring and enforcement	Once consultants are employed, the incentives for performance weaken incentives for good performance. Developing-country clients have limited means to monitor performance and ensure compliance
Imperfect competition	Frequent oligopoly signals: only few firms offer services
Global or Regional Public Goods	National governments may have insufficient incentives to purchase advisory services in relation to regional and global public goods
Weak demand-articulation	Developing-country governments often unable to identify specific needs and articulate demand precisely
Source: OPM (2003, 9–10)	

23 Country Programmable Aid is defined as the portion of aid that each donor (bilateral or multilateral) can programme for each recipient country (Benn / Rogerson / Steensen 2010).

Recent studies detect two tentative trends that would have a potential towards creating a more functioning market: (1) the growth of developing-country domestic consultancy markets, and (2) online “marketplaces” that reduce the need for implementing agencies as CD intermediaries (Morris / Pryke 2011; Ubels 2010). However, many of the past market distortions remain, which is why developing countries express disappointment over continuing patterns of expertise provided by “Northern” agencies and companies, as expressed in the policy statements cited above. Although South-South cooperation is no different in terms of the development partner determining the source of the goods and services, most developing countries see this as being less of a problem (Johnson / Versailles / Martin 2008).

The preference of development partners to work through national implementing agencies that, over several decades, have specialised in specific types of support can lead to a failure to respond to developing-country preferences for other forms of support. This tendency is also related to management costs. Innovative approaches by definition involve higher costs, which may prevent a barrier if agencies are pushed to ensure “value for money”. Some development partners may consider these additional costs worthwhile to ensure relevant and tailor-made support, as illustrated in Box 3.

Box 3: Regional twinning to support capacity development in South Sudan

The Intergovernmental Authority on Development’s Regional Capacity Enhancement Initiative has facilitated the secondment of almost 200 civil servants from Ethiopia, Kenya and Uganda to the government of South Sudan. With technical support from the United Nations Development Programme (UNDP), these civil servants have “twinning” with South Sudanese civil servants in different ministries. The seconding countries retain the civil servants on the payroll, while Norway provides project management and operational costs.

This approach to regional knowledge-exchange was deemed to provide a better socio-cultural fit and a more suitable professional match compared to the use of international consultants. Whereas the potential of this approach has been confirmed during implementation, implementation strategies have been found to be inadequate due to a combination of weaknesses in the twinning process itself and the project’s management. This included misinterpretations of the project on the part of the Sudanese government, e.g. fear among civil servants that the foreign civil servants would take over their jobs, as well as insufficient designated counterparts. On the project management side, the UNDP Project Management Unit frequently felt compelled to take management decisions for which the Ministry of Labour was formally responsible. This showed that the choice for particular management arrangements have important implications, both for costs and project effectiveness. Despite these and other project implementation weaknesses, the potential of the project was felt to be sufficiently strong enough to merit a second phase, starting in mid 2013.

Source: Da Costa et al. (2013)

4.4.3 Budgeting, procuring and managing capacity development support

Decisions about procurement, recruitment and deployment should be a country responsibility. These decisions should be based on full access to information and lead to the recruitment of technical assistant who are unambiguously accountable to the host organisations they serve. Substantial involvement of developing-country authorities in the recruitment of experts helps to counter the “free good” perception. This allows for a genuine dialogue between the government and its external partner on whether the external support considered has the potential to facilitate change, or what alternatives could be envisaged. Developing countries are increasingly questioning current practices where their

involvement in decision-making over CDS is limited to the screening of the curriculum vitae of candidates. Countries instead argue that their involvement in the selection process should be as rigorous as for the appointment of their own permanent staff (Land 2007, 21; Land / Morgan 2008).

Managing external support to capacity development through the government's treasury and using its own procedures and systems for procurement increases its control over the budgeting, planning and use of the funds. The broader relevance of local procurement should not be underestimated, as public procurement amounts to more than 15 per cent of gross domestic product (GDP) world-wide, whereas in developing countries it can account for as much as 70 per cent of government expenditure (UNDP 2010). Calls for local ownership and local procurement of technical cooperation are most often made by developing countries that are highly dependent on external inputs and where such inputs strongly affect government capacity and accountability, whereas countries that do not strongly depend on ODA may show less concern (Knack 2013, 11). Countries not dependent on ODA tend to be more concrete and precise on what external inputs they might accept, which leads to identifying "niche technical assistance" projects, which are generally not managed through country systems in the formal sense (Cox et al. 2011, 11). Under those conditions, effective ownership still requires that the partner government and its development partner jointly establish terms of reference for the external inputs requested, that these and the financial volume they represent are fed into the national planning process, and that the partner government is fully involved in the recruitment, monitoring and evaluation process.

Despite their commitments to increase the transparency of their ODA investments, development partners may prefer not to show disaggregated figures for capacity development projects, for instance to avoid having to reveal salary differences between international experts and domestic ones. It may also be motivated by different views over what constitutes a competitive salary, as shown in Box 4.

Box 4: Transparency on CD funding: evidence from Indonesia

In a review of advisers funded by the Australian Agency for International Development (AusAid), implementing partners noted that if government counterparts were aware of the general level of adviser salaries, this could create the opportunity for corrupt practices, whereby advisers are asked to pay bribes for obtaining positions or for positive performance reviews. Adding to security concerns in some parts of the country (e.g. during the Aceh conflict), the review noted that adviser costs may need to be aggregated to protect staff.

The review further found that international adviser fee rates on the whole did not cause concern among Indonesian counterparts, who expect them to be as expensive as they are and thus seek to minimise their use. When it comes to national advisers, however, they frequently make direct comparisons to their own salaries. As the report summarises: *"On one hand [government officials] are asking for lower national adviser salaries, while on the other AusAID is trying to ensure it pays fair market rates to competent and skilled national advisers."*

Source: AusAid (2010b, 16–17)

As an alternative to giving developing countries direct control over funding, some development put in place specific "pools" or trust funds for CDS. Pooled and trust funds tend to share similar features, such as an oversight committee and a mandate for joint programming. The management of trust funds is typically "entrusted" to an independent

organisation, as a rule the World Bank or UNDP, whereas pooled funds are operated by developing countries and/or their development partners. Whereas trust funds generally follow the administrators' management and procurement systems, pooled funds allow more flexibility and possibilities to position management closer to government structures (Hugh / Glassman / Gwenigale 2011, 9). Box 5 presents some findings from past studies on such pooled TC funds:

Box 5: Experiences in technical cooperation pools

Studies frequently distinguish between three levels of TC pooling (Hauck / Baser 2005, 2):

- Full pooling: Here most resources and control are with the national participants, who both contract and manage the technical assistance.
- Mixed pooling: Here the national authorities manage the technical assistance, but the contracting is done by one of the development partners.
- Loose pooling: Here the management of the technical assistants is shared between the government and its development partners. This option leads to individual contracting, which can be tied in many cases.

Although these three levels have featured in other publications, it has been argued that they cannot be strictly distinguished from other forms of coordination, and that it would be better to use the following definitions as a standard criterion: *“a TA pool exists wherever technical cooperation resources are jointly managed by a partner and two or more donors. These actors pool resources for a jointly agreed purpose and take joint decisions on their use (through procedures, work programmes etc. or joint decision-making committees)”* (Körner / Bürcky / Forster 2009, 5–6).

The different approaches to pooling can be given shape through a strong integration with developing-country government systems, or be managed relatively independently from such systems. A review of such pools that were in existence in 2005 concluded that while many arrangements have the ambition of doing full pooling, they are in practice loose in nature, with the main observed reason being weak national management capacity. They also found that where it works, the TA pool is part of something bigger (e.g. a sector-wide approach – SWAp) and is government-coordinated. When too many development partners are active in a sector (the report cites examples of more than 20 being active in one sector), and when a developing-country government is not in a position to fully coordinate, then rationalising as opposed to pooling would be a better strategy. Finally, successful pools require substantial levels of trust to function, most of all between the development partners taking part (Hauck / Baser 2005).

4.4.4 Evaluation and auditing of capacity development support

Another neglected aspect of the discussion on the use of country systems is the extent to which efforts are made to monitor and evaluate the CDS, as well as what role developing-country stakeholders play therein. A joint evaluation that evaluated technical assistance in support of PFM in Burkina Faso, Ghana and Mali encountered many cases in which anticipated outputs and outcomes of technical assistance projects were not clearly stated. In addition, many technical assistance projects do not produce any progress reports, which is sometimes linked to a lack of clarity about what they should report on in the first place (Lawson 2012).

Further efforts to improve the “evaluability” of the CDS provided is therefore needed at the design phase of the intervention concerned, and opportunities can be used to ensure the involvement of involved government departments as well as developing-country evaluators in strengthening monitoring and evaluation practices. This can, in turn, contribute to more effective external support (Keijzer 2013; Jones 2013).

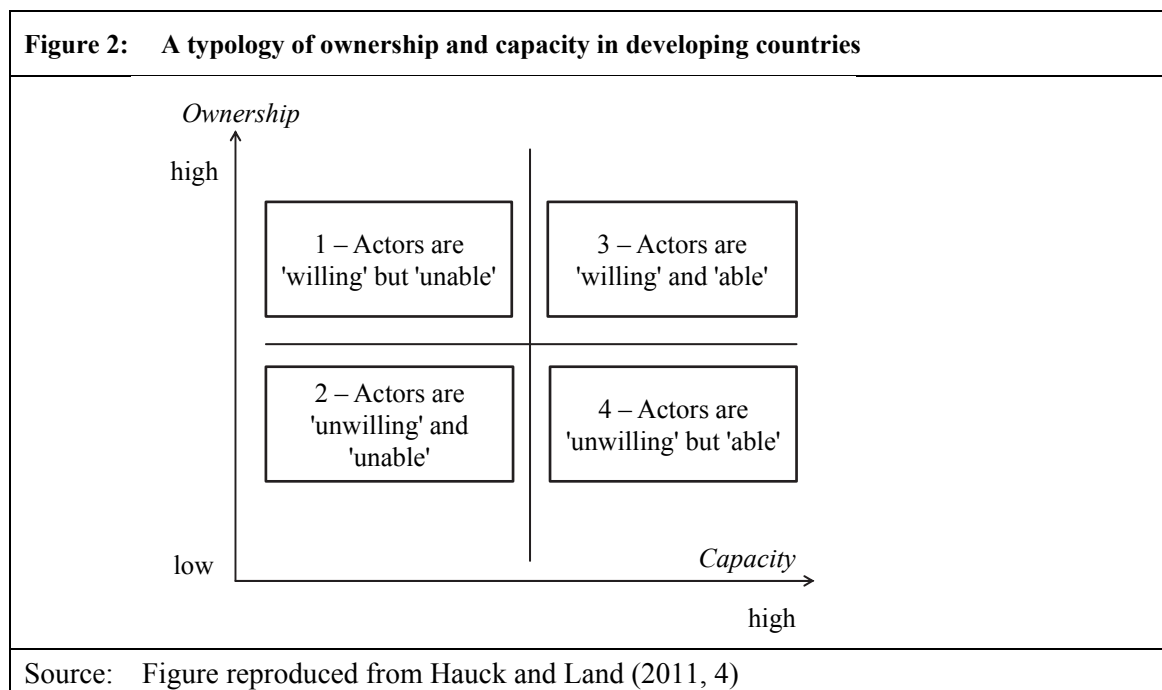
International discussions have also clarified that development cooperation is “on audit” when it is audited by country auditing institutions in accordance with country legal frameworks and procedures and carried out by the country’s supreme audit institution. Development partners may do so, but they can also require specific audits of their interventions (Sprietzner / Vargas 2011, 8). As it is generally delivered in the form of relatively small projects, little is known on the extent to which CDS is externally audited by developing-country institutions.

Having looked into the general research evidence on how support to capacity development is drawn up, prepared, delivered and evaluated, the next section of this paper examines to what extent four developing countries can and do manage the external support available to them.

5 Country evidence on applying aid- and development-effectiveness principles to support capacity development

5.1 A framework for analysing instruments to support capacity development at the country level

In order to provide a reliable basis to identify areas for further research, the first consideration made was how to select countries that would be representative of larger groups of countries and thus could produce findings of relevance to different contexts. One way is by defining groupings of countries, such as through distinguishing groups based on levels of capacity and ownership (Figure 2):



A consequence of the relational nature of development cooperation is that a similar analysis should also be made of developing partners active in the countries concerned. In this context, a recent study suggests to redefine and operationalise the concept of “absorptive capacity” by proposing that absorptive capacity exists only in relation to

specific interventions. As per this definition, improvements to absorptive capacity can be made by positive changes in the capabilities of recipients, in the capabilities of development partners, as well as through the design and key parameters of the intervention itself (Lamb 2013, 1).

A joint-evaluation of support to local development identified reflected this in a typology of four types of partnership based on the capacities of both developing countries and their development partners (Beaulieu / LeBlanc 2006, 7):

- **Emergent partnership:** A partnership where the definition of the working agenda and the relations process are in the initial stages.
- **Donor-push partnership:** A partnership characterised by a relatively strong presence and leadership on the part of the development-partner network.
- **Recipient-pull partnership:** A partnership in which a strong local capacity for ODA management and leadership is deployed to influence the aid relationship.
- **Mature partnership:** A partnership where relations are well developed and where partnership processes and agendas are effective, efficient and sustainable in the long term.

The second consideration in selecting countries was the availability of substantial recent evaluations and studies, notably the first and second phases of the Paris Declaration evaluation as well as the 2006, 2008 and 2011 monitoring surveys. This presents a bias in the sense that one can assume that a country's participation in the evaluation and surveys indicates a strong commitment, but such a purposeful sample was opportune in view of the "scoping" nature of this paper.

It was chosen to complement the general analysis of how the countries manage the support to capacity development with an analysis of the support provided in a specific sector. For this purpose, the health sector is relevant for two reasons. First of all, this sector was addressed in all country evaluations conducted for the second phase of the Paris Declaration evaluation. Second, the sector is known to attract substantial development contributions, which create opportunities to increase health results but also capacity development challenges discussed in this paper, such as the bypassing of country systems and the creation of parallel delivery systems.

Based on the analysis of the general literature and research evidence presented above, the following key questions were formulated to guide the analysis:

- To what extent do the countries show differences in the quality of their country systems, and what does available quantitative evidence show as to how this affects support received from international development partners? (Section 5.2)
- How do developing-country governments make efforts to manage external CDS? (Section 5.3)
- What general impressions of the effectiveness of CDS emerge from the Paris Declaration evaluation country reports and other research evidence? (Section 5.3)
- What are specific approaches to managing CDS in the health sector? (Section 5.4)

5.2 Country selection and overall characteristics

The following four countries were selected and categorised alongside the four different types of partnerships (Table 8). By making this choice, the results of the analysis will be most relevant for low-income countries that receive substantial external support as well as that recently “graduated” from this group (such as Vietnam). Nepal was included to gain insights from a fragile state that has challenged its development partners to increase the use of their systems.

Table 8: Country case study selection				
	Mozambique	Nepal	Rwanda	Vietnam
Emergent partnership		X		
Donor-push partnership	X			
Recipient-pull partnership			X	
Mature partnership				X
Source: Own elaboration, using categories defined by Beaulieu and LeBlanc (2006, 7)				

Apart from Rwanda, all countries were covered by the second phase of the Paris Declaration evaluation,²⁴ whereas Rwanda has been subject to various other independent studies on aid effectiveness. A recent independent meta-evaluation of the quality of 15 Paris Declaration country evaluation reports signalled that the quality level of some reports made their inclusion in the synthesis report questionable (Songco / Holvoet / Inberg 2012). The following table summarises strengths and weaknesses of the reports, as identified by the authors for the three countries analysed here (Table 9):

Table 9: Strong and weak points of Paris Declaration country evaluation reports		
	Positive aspects	Negative aspects
Mozambique	Workshop to discuss findings	Members of evaluation team not mentioned, limited access to respondents
Nepal	Cross validation of analysis, excellent quality of analysis, workshop	Government bias by including two government officials in evaluation team
Vietnam	Cross validation of analysis, excellent quality of analysis	No list of interviews, no information on quality control, lack of time available
Source: Songco / Holvoet / Inberg (2012)		

In terms of overall development cooperation statistics, the countries fall into two categories: on the one hand the least-developed countries Mozambique, Rwanda and Nepal, all with high ODA to gross national income (GNI) ratios and strong aid fragmentation, and on the other hand middle-income country Vietnam with low ODA dependence and low fragmentation.²⁵ On selected Paris Declaration indicators, however, the countries show significant differences (Table 10):

24 Mozambique was also included in the joint evaluation’s first phase, which was concluded in 2008.

25 There are many providers of development cooperation in Vietnam, but the bulk of the ODA is provided by a limited number of development partners.

Table 10: Selected country statistics on development and aid effectiveness				
2009 data (USD)	Mozambique	Nepal	Rwanda	Vietnam
GNI per capita	440	440	490	1000
Net ODA	2 billion	855 million	934 million	4.165 billion
ODA as % GNI	22%	22%	20%	3%
% ODA by top 5 partners	47%	62%	58%	82%
ODA as % of budget	Reported as “declining”	34% of central gov. expenditure	No info	Reported as “minimal”
Indicator 5 (% of aid using country systems)	47%	62%	50%	62%
Indicator 4 (coordinated TC)	28%	48%	92%	59%
Source: 2011 Survey on Monitoring the Paris Declaration				

The 2006 Paris Declaration evaluation survey observed that indicators 4 and 5 were both difficult to monitor. In the case of coordinated technical assistance, the indicator was interpreted rather liberally in many countries: only the TC that was not agreed with the government was considered uncoordinated. As for the monitoring data on the use of country systems, the authors caution the reader that, as a result of the interpretations made of the measurement, the numbers somewhat overstate the effective use of country systems (OECD 2006, 23–24). These choices limit the ability of the indicators to inform judgement on the extent to which the agreed policy commitments are translated into practice.

But were the systems of the four countries “ready” for support to begin with, and how was this judged? In its March 2013 meeting, the Global Partnership for Effective Development Cooperation endorsed the CPIA as the means to monitor the quality of country systems – the same index as was used by the Paris Declaration monitoring framework.²⁶ In relation to the indicator “quality of country PFM systems”, a target is presented whereby developing-country governments commit to ensure a 0.5 increase of their CPIA scores in the period 2010–2015.

On the side of the providers of development cooperation, a commitment is made to “reduce the gap” in using developing-country PFM and procurement systems by half for countries with CPIA scores above 5, and by one-third for countries with lower scores. This effectively means that development partners only commit to a one-third gap reduction, since only Georgia and Armenia might have a chance of scoring over 5 in CPIA during the 2010–2015 period.²⁷ The 2011 Paris Declaration survey found that 48 per cent of aid in support of the public sector uses country PFM systems and 44 per cent uses public procurement systems. Therefore, reducing the gap by one-third would,

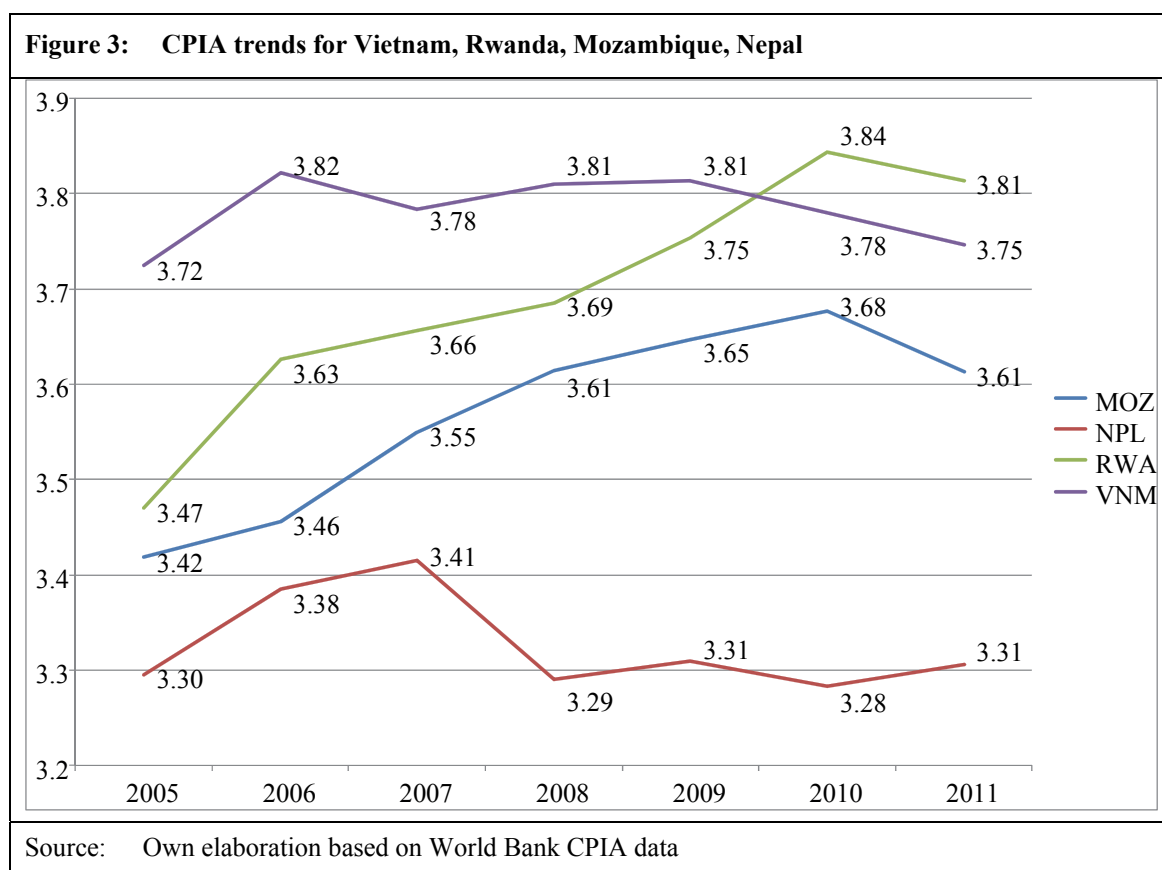
26 See: <http://effectivecooperation.org/files/about-trackingprogress/INDICATORS.pdf> (accessed 30 Jul. 2013).

27 See: <http://data.worldbank.org/indicator/IQ.CPA.ECON.XQ> (accessed 27 May 2013).

in practice, imply that by 2015, development partners will have increased the percentage of their support to the public sector through PFM systems by 17.3 per cent, compared to the 2010 situation, and increased their use of local public procurement by 18.7 per cent.

These overall projections, however, are not very reliable, given the lack of sufficient country data to define a 2010 baseline for this target (OECD 2011). Moreover, only a few countries will show a situation similar to the average scores, as the situation tends to be very different from one country to the next. For instance, the 2011 Paris Declaration survey noted that scores in using PFM ranged from 0 per cent in the Democratic Republic of Congo to 77 per cent in the case of Bangladesh (OECD 2011). This also implies that by committing to a one-third gap reduction in using PFM and local procurement, development partners' responses will range from minor tinkering to complete revolution.

As for the 0.5 CPIA increase that developing countries committed to, the availability of figures allows for examining the likelihood of the four countries studied realising such an increase over a five-year period. Figure 3 shows the CPIA scores achieved by the countries in the period 2005–2011:



These CPIA trends can, in turn, be compared with other measures of country systems in the four countries, namely the available PEFA scores, the Open Budget Index, Paris Declaration monitoring data and corruption indices. Table 11 presents the available data for the four countries.

Table 11: Country system quality indicators for the four countries				
	MOZ	NPL	RWA	VNM
CPIA score 2011	3.61	3.31	3.81	3.75
Increase CPIA score 2005–2010	0.26	-0.01	0.37	0.06
% increase CPIA score 2005 -> 2011	5.7%	0.3%	9.9%	0.6%
OBI overall rating	47/100	44/100	8/100	19/100
Most recent PEFA average (year) ²⁸	2.88 (2010)	2.25 (2005)	2.96 (2010)	N/A
% increase PEFA score compared to earlier measurement (year)	17.5% (2006)	N/A	23.88% (2007)	N/A
PEFA score: aid managed through national procedures (year)	2 (2010)	1 (2005)	1 (2010)	N/A
% of aid using country PFM systems (PD survey 2005)	38%	68% (2007)	46%	33%
% of aid using country PFM systems (PD survey 2010)	47%	62%	57%	40%
Evolution PD country PFM systems score (survey 2005–2010)	+9%	-8%	+11%	+7%
% of aid using country procurement systems (PD survey 2005)	38%	56% (2007)	46%	33%
% of aid using country procurement systems (PD survey 2010)	56%	35%	64%	66%
Evolution PD country procurement systems score (survey 2005–2010)	+18	-11%	+20%	+33%
Transparency International Corruption Perceptions Index 2012 (rank out of 173 countries/score)	123/31	139/27	50/53	123/31
World Bank Control of Corruption Index – estimate of governance 2011 (range: -2.5 (weak) to 2.5 (strong))	-0.41	-0.77	0.45	-0.59
Source: Own compilation using World Bank, PEFA and OBI data				

A number of observations can be drawn from this table. The figures first of all show that, given the trend in CPIA scores for Mozambique, Nepal and Rwanda in the 2005–2010 period, the 0.5 CPIA increase target for 2010–2015 may only be (remotely) realistic for Rwanda – which in that case would still have to seriously increase performance.

Secondly, the country with the largest increase in CPIA scores, Rwanda, scores lowest of all four countries in the Open Budget Index, which focuses on the transparency of country systems. Another observation is that the multi-annual PEFA scores for Mozambique and Rwanda both indicate a degree of progress that is more than twice

28 The analysis of PEFA scores was done on the basis of publicly available assessment reports that were accessed from <http://www.pefa.org> (accessed 3 Apr. 2013). The average scores were produced using the same approach to transposing the A-D scoring into a numerical scale as was used by De Renzio (2009).

the increase in CPIA scores under the same period. This illustrates the differences in emphasis between the indices used and the different measurements this creates.

With the exception of Vietnam on PFM systems and Nepal on procurement, all countries scored above the 2010 Paris Declaration targets (and therefore above average). In strong contrast to these scores, the PEFA indicator for aid management through national systems registered the lowest possible score for Rwanda and Nepal and a slightly higher score for Mozambique in 2010 (which had a minimal score in 2005 and 2010). As studies suggest that perceptions of fiduciary risk are important in guiding development partners' use of country procurement systems, the low usage of country systems in Rwanda is peculiar as it contrasts with the country's absolute and relative high performance on the corruption index.²⁹

5.3 Approaches to the management of capacity development support in the four countries

A study on alternative approaches to managing technical assistance distinguished between six elements that can be used by developing countries to manage technical assistance. Based on a review of the Paris Declaration evaluation country reports, other studies and documents published by the governments of the four countries, Table 12 compares the countries' coverage of the six elements.

Table 12: Overall approaches to managing capacity development support³⁰					
Limited capacity / failed states	Articulation of development priorities	Country-led identification of TA needs	Integration of TA into national budget	Procurement of TA by recipient country	Graduation from aid / domestic TA industry
n.a.	MOZ, NPL, RWA, VNM	VNM, (RWA)	RWA, (NPL)	RWA, (VNM)	VNM
Source: Own elaboration in relation to dimensions defined in OPM (2003, 27)					

The different approaches and key steps made to manage support to capacity development, as well as evidence on the effectiveness of external support, are discussed for each of the four countries in turn.

5.3.1 Mozambique

Mozambique attracted high levels of development finance following the end of a devastating war in 1992, and in the process became both a model and “laboratory” for the use of innovative approaches such as budget support and pooled funding. In the past two decades, the government has deliberately chosen not to pursue a strong national project of its own, but instead has shown a strong willingness to follow policies proposed by

²⁹ The Corruption Perceptions Index shows that Rwanda outperforms several EU member states.

³⁰ Countries mentioned between brackets indicate that some progress has been made to implementing this approach, or that the approach is used on a smaller scale.

development partners in exchange for development finance. Combined with the fragmented approaches to development cooperation and the above-average number of cooperation partners, a system emerged that is hard to keep an overview of, let alone steer in a purposeful manner (De Renzio / Hanlon 2009, 246; Vollmer 2013).³¹

Although the country experienced a large inflow of development finance provided through modalities such as budget support, an estimated two-thirds of development cooperation in Mozambique is not delivered through country systems and is channelled directly to developing-country stakeholders using project instruments. Ever since independence in 1975, the country has strongly relied on skilled foreigners, while during the 1990s structural adjustment programmes required government to cut civil service salaries by more than 50 per cent. This led to a proliferation of projects and accompanying TC, while the declining salaries stimulated civil servants and ex-civil servants to work in development-partner-financed projects at the expense of government capacity. As a result, in 2007 the amount of TC provided was estimated at roughly half of the public sector wage bill (Hauck / Souto 2007).

The government lacks a common understanding of technical assistance, and there is no strategy, policy or guidelines on how to work with TC. This raises questions about the government's commitment to demand-driven capacity development (KPMG 2010; Hauck / Souto 2007). Individual development partners generally acknowledge that TC projects are a joint responsibility between themselves and the government, not one to be shared or coordinated with other development partners. Much of the management of in-kind TC has been led by development-partner headquarters in a way that leaves the government little say in the selection process (Hauck / Souto 2007).

In the past few years the government has made no progress in formulating an overall vision on and demand for CDS, with its 2011 PRSP only making generic references to the need to “build the capacity” of particular sectors under the government's implementation plan – without specifying in what areas it would particularly require external inputs (Republic of Mozambique 2011). An analysis of the Mozambican political economy further indicates that in recent years the state has increasingly turned into an executive branch of the party and that presidential authority has been asserted to the detriment of lower and mid-level institutions. However, the strong potential in extractive resources has led to a steady increase in interest among foreign investors (De Tollenaere 2012). These trends signal negative implications for effective management of support to capacity development.

5.3.2 Nepal

In Nepal, the transition from more than 200 years of hereditary and autocratic rule to a democratic government in 1990 led to a Maoist insurgency, which, in 2006, evolved into a politically unstable situation with frequent changes in government. This has resulted in

31 The government has put in place an online database (<http://www.odamoz.org.mz/>, visited 31 July 2013), yet this only covers OECD partners, while Mozambique attracts substantial non-OECD assistance (Vollmer 2013).

low levels of foreign investment, while development partners have preferred to manage their own projects over channelling support via the government. As a result of dependence on ODA, government policies have been influenced to a significant extent by the government's development partners. In addition to ODA, the country receives substantial assistance from India and China in the form of TC and infrastructure development, which is mainly motivated by commercial and security interests and is fully tied to Indian and Chinese contractors (ERD 2013; Pandey / Adhikari / Sijapati 2013, 1).

The evaluation of the Paris Declaration estimated that, in 2008, a total of 34 per cent of development cooperation was provided as TA for capacity development. Institutions are perceived as weak, which development partners use to justify their decisions not to use country systems. However, the evaluators, which included government officials, felt that the same TA support had been provided for 30 to 40 years and did not deliver. They thus concluded that there is *“too much TA with more doing for and less doing with.”* The dominant approach to CDS is the use of expatriate expertise that largely focuses on delivering technical outputs through training-based interventions, as opposed to support aimed at facilitating institutional capacity development (MinFin 2010, 43–44).³² The evaluation stated examples of project-supported capacity development results, as well as general progress in the contribution of development partners to capacity development. At the same time, the evaluation could not identify any coherent and comprehensive assessment of capacity development needs. Support provided is instead largely identified by development partners in dialogue with individual ministries and government agencies (MinFin 2010, 43–44).

Nepal's Ministry of Finance is tasked with overall coordination and management of foreign aid. Following the end of the civil war, the government set out to revise its policy on foreign aid, which was originally adopted in 2002. Among the objectives that the government set in a draft of the new policy was *“enhance the nation's capability to envision, implement and sustain development programs through knowledge and technology transfer in order to accelerate production and productivity of the economy”* (MinFin 2008, 4). The draft policy document observed that TA has fallen short of the contribution that it could have made, mainly due to the excessive reliance on foreign expertise.³³ By not making optimal use of available national expertise, the support provided has resulted in the adoption of inappropriate technology, while also adding to the country's debt burden in cases when the TA was provided as a loan (MinFin 2008, 4).

The government has also invested in an online Aid Management Platform (AMP), which the government views to have increased the transparency and availability of information about development cooperation. Data from the AMP, which covers both ODA and South-South cooperation partners, show that during the financial year 2011/2012, a total of 269 TA projects were provided, representing a total volume of US\$ 159.5 million, or 15 per

32 A Strategic Conflict Assessment commissioned by the United Kingdom observed that persisting poverty in Nepal was not due to a lack of state capacity, but to the excluding nature of the political settlement. It argued that building state capacity would perpetuate the political settlement (ERD 2013).

33 Although the 2008 revision was not formally adopted, media reports from 2013 indicated that the government had again set out to revise the policy, which should lead to further coordination of development partners and promote the use of country systems. See <http://www.spotlightnepal.com/News/Article/Taming-Donors> and http://www.ekantipur.com/the-kathmandu-post/2013/03/03/related_articles/panel-to-revise-foreign-aid-policy/245942.html (both accessed 7 May 2013).

cent of total assistance. The report also notes that TA is more fragmented and provided less through country systems compared to other forms of development cooperation (MinFin 2013a).

Aided by the information gathered through the AMP, the Ministry of Finance publishes a separate Statement of Technical and Other Assistance, which it submits to parliament on an annual basis, together with the budget speech, and covers both projects targeted at the government and those implemented through international non-governmental organisations. The most recent report covering financial year 2013/2014 presents such projects per government department, including from non-OECD members such as India and China. Although the information is restricted to the project title, its planned duration, a handful of words describing activities and an overall financial value (which in some cases is marked “N/A”), it represents an important example of a developing country making special efforts to inform its parliament and the general public of capacity development investments. However, it states that the report excludes technical assistance that is not expressed in monetary terms (MinFin 2013b).

5.3.3 Rwanda

Rwanda has made strong development progress over the past 12 years. Although remaining strongly dependent on external development finance, it has sought to ensure stability, social organisation and economic diversification. Trends point to a gradual reduction in Rwanda’s dependence on ODA (ERD 2013; Abbott / Malunda / Festo 2013).³⁴ Large amounts of TC have been provided in the years following the genocide, including consultants who worked in many core functions of government (Hayman 2009).

The government of Rwanda has made strong investments in managing development cooperation, for which the basis is provided by a formal aid policy that was adopted in 2006. Although development partners were widely consulted and provided technical support to assist its formulation, the policy is widely considered as being owned by government (Hayman 2009). The policy clarifies how and in what ways government prefers to manage the external assistance as a means to further its Economic Development and Poverty Reduction Strategy, and includes explicit objectives in relation to CDS. The government has also put in place an online database to centralise and make available information on the assistance provided by development partners. On the basis of the aid policy, a more detailed Rwanda Aid Policy Manual of Procedures has been prepared to further operationalise this policy (GoR 2012). The manual will be relatively specific on how the government wants to manage external support to capacity as delivered by external partners (Box 6).

Box 6: Key aspects of Rwanda’s Aid Policy Manual of Procedures with regard to technical assistance

- | |
|--|
| <ul style="list-style-type: none"> • The end-user of the TA is to make sure proposed TA is consistent with capacity needs in its sector / district plans. • PSCBS supported by MINECOFIN to assess TA proposals fit with national capacity / skills needs- |
|--|

34 The country for instance recently launched its first international sovereign bond. See: <http://www.minecofin.gov.rw> (accessed 7 May 2013).

<p>assessments.</p> <ul style="list-style-type: none"> • ToRs for TA to be developed by the government agency, which should include clear benchmarks / progress indicators. • Government agency implementing TA, PSCBS and MINECOFIN to negotiate on how to identify and manage service provider that will deliver the TA. • Preference for use of Capacity Building Fund to ensure support provided in context of Strategic Capacity Building Initiatives.
Source: GoR (2012)

To further some of these aims, a Presidential Order in August 2009 established the government's Public Sector Capacity Building Secretariat (PSCBS). A key task for the Secretariat is the management of the Capacity Building Fund (CBF), which government created to "*finance strategic capacity building activities in a coordinated, transparent and efficient manner*" (PSCBS 2011, 5). The government considers that the advantage of the fund is that it creates oversight of the wide range of public sector capacity-development interventions and can thus increase their impact. Besides managing the fund, the CBF Secretariat also provides management support and services to TA funds managed at the sector level (PSCBS 2011, 5). Given the government's preference to pool project funds, there are, however, multiple pooled, basket and trust funds in different sectors, many of which have existed longer than the CBF and include their own capacity development components. As a result, the CBF is still modest in size (Abbott / Rwirahira 2012). Complementary to the use of these pooled funds, government started a pilot in December 2011 with the use of a Treasury Single Account, which allows for greater alignment of the development projects and the TC components they include (Shyaka / Rwamuganza / Schaeffer 2012).

Despite the strong policy thrust and clear priorities on how government prefers to manage and use technical assistance, independent reports on the implementation of the aid- and development-effectiveness agenda in Rwanda refer to continued practices of donor-driven technical assistance. The government's own aid-effectiveness report notes that TA is not as coordinated as development partners claim it to be, thus questioning the statistics recorded by the Paris Declaration survey (Abbott / Rwirahira 2012).³⁵

Some development partners who do not adhere to the government's policy on support to capacity development may privately legitimise their actions in reference to the refusal of non-OECD development partners to report to act in accordance with the government's aid policy. Although South-South cooperation partners experience TA to be less costly than TA from OECD development partners, it is not necessarily more country-owned or managed and can cause problems for local procurement (Abbott / Rwirahira 2012; Abbott / Malunda / Festo 2013). In a speech delivered during the Busan High-Level Forum, the President of Rwanda expressed disappointment over the low use of country systems by development partners and emphasised the need to shift the cooperation regime beyond "traditional donors" (Kagame 2011).

35 An example of how TA is recruited by the United Nations Population Fund (UNFPA) is given in Abbott et al. (2011, 36).

5.3.4 Vietnam

Vietnam has a relatively strong enabling environment for successfully managing external support. The country has spent more than two decades in overhauling its former planned economy and, in the process, has attracted substantial support from the international community. Although ODA has represented only between 3 and 4 per cent of GDP over the past few years, it nonetheless supported 15–17 per cent of the public investment and is considered an important source of finance (Finnish Ministry of Foreign Affairs 2013). The country manages development cooperation by means of well-established mechanisms for managing development cooperation, which are guided by a modified version of the Paris Declaration, termed the “Hanoi Core Statement”, which it agreed with international partners in 2005. The government also formulated the Strategic Framework for ODA Mobilisation and Utilisation for the period 2006–2010, which identified five key areas where government welcomed TA (Watson / Minh Tongh / Zinke 2007). The new Strategic Framework for 2011–2020 relates to the country’s Socio-Economic Development Strategy and the country’s own development goals for the same period, which give priority to developing the country’s human, technological and scientific capacity (Communist Party of Vietnam Central Committee 2010).

In contrast to the socio-economic changes, political changes have been far less rapid, as the Communist Party of Vietnam continues to be the sole political authority, and elected members of both central and decentralised authorities face constraints in performing their representative roles (Cox et al. 2011; Watson / Minh Tongh / Zinke 2007). The conservative administrative culture and high levels of corruption present challenges to external support to capacity development in general, and technical assistance in particular. Positive factors influencing the use of TA include the educational levels of key officials as well as their increased international exposure. Another aspect is that language barriers still necessitate that technical assistants work closely with local counterparts, which helps to facilitate learning (Cox et al. 2011; Watson / Minh Tongh / Zinke 2007).

Vietnam’s development cooperation profile is evolving as a result of the achievement of middle-income country status in 2010, which has led to development partners changing the nature of their assistance by either phasing out assistance or changing to increased concessional loans (Finnish Ministry of Foreign Affairs 2013). This is shown by a transition from “traditional” support to sectors to specific and targeted technical assistance in “niche” areas. This does not follow the formal approaches to planning assumed in the Paris Declaration, but typically is made via direct requests to development partners, informed by government’s own appreciation of their added value. Despite these changes, it is observed that the government is not yet sufficiently able to diagnose its own needs and further optimise its use of external TA (Cox et al. 2011). The general picture is that government officials are sceptical about capacity-building projects when these involve foreign technical assistants. TA is moreover considered the most fragmented part of the aid portfolio, while public officials feel that no useable definition of coordinated technical assistance has emerged. At the same time, the government’s strategies do not give much attention to capacity issues, which could be a basis for more such coordinated approaches (Cox et al. 2011).

Partly as a result of not having to strongly rely on external development finance, the government is reluctant to open up its “country systems” to external partners. The

government prefers the use of the project modality due to having more experience and familiarity with managing it, the additional financial incentives that Project Implementation Units (PIUs) bring, but also due to the lack of clear government guidance on using other modalities. PIUs, however, bring disadvantages, such as the need for some PIUs to produce separate reports, or confusing situations due to the simultaneous use of using development-partner and government procurement rules. Moreover, development partners continue to offer financial incentives to government officials to enable project implementation (Cox et al. 2011; Watson / Minh Tongh / Zinke 2007).

5.4 Capacity development in the health sector

In the past decades, health has become an increasingly important focus for development cooperation, with overall support growing from US\$ 5.82 billion in 1990 to US\$ 27.73 billion in 2011 (Álvarez / Acharya 2012). This increase has been accompanied by a proliferation of bilateral, multilateral, civilateral and private cooperation partners. Support is often provided in erratic and unpredictable ways and is lopsided to specific aspects of developing countries' health budgets. The support presents strong direct and indirect costs to the health system of developing countries, and affects its capacity at different levels in both positive and negative ways (Álvarez / Acharya 2012; Dodd / Hill 2007).

The report of the OECD/DAC's Task Team on Health as a Tracer Sector found that development-partner commitment to using country systems in providing external support to the health sector has increased "on paper" but has not been translated sufficiently into action. The report concludes that although evidence is limited, individual country experiences suggest that development partners continue to provide technical assistance on a bilateral basis. Several challenges contribute to this, including a lack of national TA plans, weak national ownership and capacity to manage TA, and continued provision of short-term bilateral technical assistance (OECD 2012). These overall findings are contrasted in the sections below with the findings of the Paris Declaration evaluation and other relevant studies for Mozambique, Nepal, Rwanda and Vietnam.

5.4.1 Mozambique

Linked to a sector strategy adopted in 2001, the health ministry established the PROSAUDE Health Common Fund in November 2003, to which development partners currently contribute 22 per cent of total external funding to the sector. Other development partners cite the need to earmark funding for specific activities. The sector-wide approach is appreciated, yet the large number of development partners proved to be too many in number to be coordinated, and their management largely distracted the ministry from its core policy tasks (OECD 2012). This is not only due to the number of development partners: the ministry experiences a high turnover of staff and often accepts to outsourcing of tasks to development partners, tasks that should be the responsibility of the government (Koenig / Goodwin 2011).

Efforts to promote coordination between development partners active in the sector go back to the first post-conflict years. In 2000 a sector-specific code of conduct was adopted (and revised in 2003) before being superseded by the international aid-effectiveness agendas. A

few years earlier, in 1996, the Pooling Arrangement for Technical Assistance was an early attempt at harmonising support. This fund was managed by the ministry, administered by the UNDP and funded by the Netherlands, Norway and Switzerland. However, it ceased operations a few years later, among other reasons due to communications between the development partners and the ministry, lack of consensus among development partners (some of whom wanted a broader “sector-wide approach”) and the inadequate involvement of the planning and finance ministry (Pavignani / Hauck 2002).

The Paris Declaration evaluation’s country report on Mozambique observes that the health ministry has a clear idea of which areas it is interested in having TA (e.g. financial management) and where it is reluctant to receive TA (e.g. clinical matters). This has, on occasion, led to disagreements between the ministry and its development partners (KPMG 2010). In 2007 the new minister for health decided to phase out the substantial number of technical assistants who were occupying line posts (i.e. “doing the work”). Although there is currently no specific, approved capacity-building strategy or common fund for the health sector, the ministry presented an ambitious human resources plan in 2008. By 2010, however, no common position among development partners had emerged. Pooling of technical assistance was again put on the agenda around that time, but it was abandoned because the process of developing joint terms of reference was very time-consuming (Visser-Valfrey / Umarji 2010).

5.4.2 Nepal

In Nepal, the Paris Declaration evaluation observed impressive results in improved harmonisation and alignment in the health sector, although at the same time it was observed that much remains to be done (MinFin 2010). One key capacity issue concerns the low level of service provision in rural areas, which reflects the undermining of formal rules by other factors, including deeply embedded cultural norms, political competition, the structure of the labour market and the role of external actors. (Harris et al. 2013). Leadership deficiencies of government in the health sector have been linked to the supplementing of government capacity in service delivery by non-governmental organisations (NGOs) and other development partners (MinFin 2010).

The development and adoption of a SWAp with strong support from development partners enabled further coordination, although only two development partners joined a pool that would allow for further use of country systems. Continued parallel support from many other development partners as well as global programmes has resulted in fragmentation and hampered institutional integration. For the second phase of the SWAp, a third development partner has joined, while the GAVI alliance is channelling capacity-building support through the SWAp. Despite efforts towards coordinated support, issues of poor sector governance, excessive TA and weak capacity remain (MinFin 2010).

5.4.3 Rwanda

The Rwandan health sector receives more ODA than any other government sector, which is partly because government has achieved impressive health outcomes and made strong efforts at managing external support (Abbott / Malunda / Festo 2013). An external

evaluation of the first Health Sector Strategic Plan I 2005–2009 highlighted health improvements between 2005 and 2007 and observed that Rwanda scored above the African regional average for most health-related MDG indicators. However, the sector depends on ODA from 17 different partners for 60 per cent of its financing. This has contributed to inconsistent and overlapping health-system-strengthening initiatives as well as considerable earmarking (Holvoet / Inberg 2012; Dodd / Hill 2007). A recent assessment by the government observes that half of the external support is provided by the US government, while more than half of all external support addresses only three diseases. It notes the high degree of fragmentation and projectisation occurring, despite a perceived strong leadership of the Ministry of Health (MINECOFIN 2012).

In 2007 the signing of a Memorandum of Understanding launched a SWAp in the sector, with the government and development-partner signatories expressing full support for applying the international aid-effectiveness agenda in the sector. Technical Working Groups were set up to address particular technical issues and priorities of the sector plan. Despite these actions – and in contrast to the also highly externally funded education sector – the majority of ODA to the health sector is delivered through projects (Holvoet / Inberg 2012). As a result, a large portion of external finance remains off budget. The establishment of a Single Project Implementation Unit and the use of Joint Financing Modalities may alleviate some of the problems (IHP+ 2012).

In 2011 the government adopted a Human Resources for Health strategy for the period 2011–2016. The strategy's situation analysis points to capacity constraints in the national training institutes as well as in the recruitment and retention of health workers. In line with the overall health system strategy, the strategic plan seeks to guarantee *“availability of appropriate numbers and combinations of qualified health personnel at all levels of the health system”* (Ministry of Health 2011, 7). According to the Development Assistance Database, 49.1 per cent of disbursements in the health sector in 2010/2011 was spent on TA, much of which is spent through NGOs (MINECOFIN 2012). A recent joint health review highlights that a separate TA plan will be developed in relation to the health strategic plan, which may address some of these challenges (IHP+ 2012).

5.4.4 Vietnam

The Paris Declaration evaluation's Vietnam report further observes that the overall picture of external support to the health sector is a challenging one: 27 development partners are active and together provide around 10 per cent of the national health budget. In 2008 the assistance was provided by means of around 75 projects, mostly under half a million US dollars in size and almost all funded by individual development partners. This fragmented profile poses a strong management challenge to the Ministry of Health, which has resorted to creating National Targeted Programmes in relation to particular diseases or thematic areas that *de facto* behave as PIUs and bypass the country's decentralised governance systems. Due to access to additional incentives that the development projects bring, most of the ministry's capacity is concentrated in the National Targeted Programmes, which has weakened its policy-making, monitoring, regulation and coordination capabilities (Cox et al. 2011).

The reduced capacity of the ministry has led to problems in coordinating capacity-building support. Most efforts have gone into strengthening PIUs (i.e. the capability to manage the

external support) and have contributed to multiple and inconsistent budgeting and planning initiatives at the provincial level. In 2007 the ministry launched a number of initiatives: it formalised the Health Partnership Group, introduced a Joint Annual Health Review with a thematic focus, and – similar to what was done earlier in Mozambique – formulated an aid-effectiveness agenda specifically for the health sector. This statement of intent describes a desired path towards what can be described as a SWAp without the complicated funding mechanisms (Cox et al. 2011).

A study that was commissioned to assess efforts towards harmonisation and alignment of TA observed that earlier studies in 2003 and 2006 had identified all relevant issues, which nonetheless remain unresolved (Van Konkelenberg / Duc Chung / Van Quang 2010). It found that most efforts go towards strengthen the capacity of PIUs, and not the ministry, which goes against the spirit of the Hanoi Core Statement. The study further signalled that both the ministry and the development partners acknowledge that the problem lies on both sides, and observes five principal deficiencies (see Box 7).

Box 7: TA deficiencies in the Vietnamese health sector
<ul style="list-style-type: none"> • <i>“excessive reliance on TA for activity design and conduct (lack of MOH ownership);</i> • <i>long delays in implementation (complex and/or duplicated systems on both sides and lack of counterpart funds);</i> • <i>poor quality implementation (poor TA and TA support quality);</i> • <i>lack of consistency in direction (alignment issues);</i> • <i>and uncoordinated duplications (harmonization issues).”</i>
Source: Van Konkelenberg / Duc Chung / Van Quang (2010)

These problems illustrate that purely because Vietnam is a middle-income country, this does not mean that it has effective leadership over – and draws optimal benefits from – external CDS. The transition by development partners to other forms of development cooperation (e.g. additional emphasis on concessional loans) may, however, create the impulse to make the structural changes that, in previous years, proved not to be possible.

5.5 Relating the country evidence on CD to the international agenda

Although the analysis of overall policies and one specific sector is an insufficient basis to draw conclusions “across the board”,³⁶ the analysis of the four countries points towards disincentives on both the side of the developing countries and their external development partners to improving the effectiveness of external support to capacity development. Beyond incentives, in all four countries – but in differing degrees – the organisation and human resource development in the civil service also poses limitations to the enforcement of policies that otherwise seem relevant for managing CDS.

The four countries do differ in the degree in which they pursue management approaches in the area of CDS, but this does not seem to result in radically different CDS practices on

36 The general trends in external support are comparable, yet the health sector may not be fully representative, as it was purposefully chosen as an amply funded sector. Moreover, in most countries specialised “global funds” and the United States are the main partners providing support to the health sector, yet both tend to perform below average in adhering to the aid- and development-effectiveness agenda – e.g. the United States was considered an aid effectiveness “outlier” in Knack (2013).

the part of the external partners. In spite of all approaches to strengthen harmonisation and alignment in the area, the prevailing practice of providing support to capacity development continues to be largely a “bilateral affair” between the development partner and developing-country stakeholders, on which information is not always systematically shared with other development partners, if at all. This overview, however, does not allow for further analysis to explore to what extent this behaviour is consistent among the different development partners or whether some of them are more amenable to country leadership than others. Macro-level ineffectiveness may co-exist with highly useful CDS at the local level.

6 Conclusions and recommendations

The first decade of the new millennium marked a turning point for international development cooperation, with a series of High-Level Fora on Aid Effectiveness seeking to forge solutions to counter ineffective cooperation practices. The meetings in Rome, Paris, Accra and Busan added to an evolving aid- and development-effectiveness agenda. A central conviction of this agenda is – and remains – that development partnerships only succeed when they are led by developing-country stakeholders. Doing so, however, requires strong capacity on the side of developing countries, which is why development partners have committed to help them strengthen their capacity.

Based on a structured literature review and a limited number of semi-structured interviews, this paper examined to what extent the aspects of the aid- and development-effectiveness agenda that address CDS have been translated into practice. Starting from the realisation that international cooperation will continue to become more knowledge-intensive, the paper has analysed the evolved understanding of capacity development, the means used to support it through international cooperation, and the extent to which successful reforms have or can be made. The paper contextualises its findings in an appreciation of the current state of the international dialogue on effective cooperation, which is marked by a more elusive international dialogue structure informed through “coalitions of the willing”, and non-engagement by providers of South-South cooperation. As international cooperation is likely to become more, rather than less, knowledge-intensive over time, capacity development will remain a key objective.

International development policy emphasises the nature of capacity development as an endogenous, relational and long-term change process, thus acknowledging that there is only a limited role for external development partners. Shortly after the Paris Declaration was adopted, the DAC Chair argued that “[b]uilding capacity is the central and one of the most difficult tasks to achieve in development” (OECD 2006, 23). In recent years, efforts have been made to further operationalise this broad concept, clarifying that capacity consists of both soft- and hardware, and that it is dynamic and relational as opposed to static and independent. There is ample evidence of countries that successfully strengthened capacity as a basis for sustainable development.

In spite of the recognition of its importance and central role in development, developing countries often experience difficulties in sufficiently benefiting from external inputs to their capacity development processes. Structural problems in the developing countries’ public service help to explain the lack of effective ownership in many developing

countries, but an equally important cause is the dominant approach, in which external support is designed, delivered and evaluated. Development interventions that seek to provide direct support to capacity development are provided in a multitude of forms under the generic label of “technical cooperation”. In many cases, interventions that are reported to the OECD as support to capacity development in fact pursue other legitimate goals, such as facilitating the implementation of larger development interventions, although assessing this is difficult due to absent or incomplete information.

The Paris Declaration considers the strengthening of country systems both as a condition for effective development cooperation and as a legitimate development result by itself. When it comes to CDS, interventions differ in the extent to which (1) they support capacity development of country systems, and (2) the extent to which their planning, implementation and evaluation make use of country systems. Although there are important differences between development partners, practice generally falls far short of the commitments made in Paris, Accra and Busan. Many development partners retain considerable discretion in assessing country systems and remain reluctant users. Available research evidence shows that CDS remains largely supply-driven and top-down and that fundamental changes in the planning and design phase are needed to strengthen effectiveness.

To complement the analysis of general policy discussions and practices, an exploration was made of policies and practices in managing CDS in Mozambique, Rwanda, Nepal and Vietnam. Overall development cooperation management-approaches were found to range from strong centralised control efforts (Rwanda) to accommodating policies seeking to maximise access to ODA (Mozambique). Some have adopted policies that include overall objectives for CDS and set out effectiveness principles (Nepal), whereas others have also prioritised specific areas for support (Rwanda, Vietnam). In contrast to this, Mozambique has not set out any overall policy principles for CDS and lacks a formal strategy. In contrast to these different approaches, the research evidence indicates that development partners’ CDS practices are hard to manage in all four countries. It remains a challenge to improve transparency of TC and to channel these investments through country systems (Rwanda, Nepal), while in Vietnam the management approach used reorients core ministry capacity from policy-making towards aid management. The evidence further shows that none of the four countries experience equal difficulty in taking control of CDS offered by their South-South cooperation partners.

Although international development partners achieve lower levels of performance in the four countries in conforming to aid and development effectiveness compared to other areas of support, the overall picture provides interesting contrasts with the specific situation in the health sector. The health ministry in Mozambique has taken early steps to promote harmonisation, including through a TC pooling arrangement. In recent years the situation has worsened due to many development partners preferring bilateral and heavily earmarked support arrangements. Nepal and Vietnam, two different countries, face similar challenges as support bypasses and negatively affects health-system capacity. In Rwanda, 60 per cent of the health sector budget is funded through development cooperation, which has led to impressive results but also to an overconcentration on some diseases and system inconsistencies. Similar to Nepal, much TC does not go through government systems but through alternative “channels”.

This paper's findings provide three main conclusions. First of all, available research confirms that aid- and development-effectiveness achievements in the area of capacity development have been slow and disappointing, owing to reform-resistance of key stakeholders involved. Second, considerable potential remains to strengthen the effectiveness of CDS by further adapting approaches to design, deliver and evaluate interventions in reference to key aid- and development-effectiveness principles. Third, a lack of disaggregation of statistics and low levels of investment in evaluation inhibits learning and accountability, and ultimately the improvement of capacity development results.

Based on the analysis presented here, four windows of opportunity are identified as means to improve the effectiveness of external support:

- First and foremost, development partners should decentralise the programming of CDS to their embassies and country representations. This would facilitate effective ownership of CDS by developing countries as it becomes easier for them to take a leading role in the design and procurement / recruitment of support. In situations where this does not result in effective ownership, it is unlikely that support will lead to capacity development.
- Second, active efforts should be made to demystify the support by identifying concrete objectives, improving evaluations and making these publicly available. Information on what is concretely done and with what purposes should be presented in an accessible format, and should be seen as the logical implementation of the transparency of this area of development cooperation, where financial transfers are often not a primary element.
- Third, implementation of the first two recommendations would allow for further disaggregating the OECD/DAC reporting on technical cooperation and allow for separating genuine CDS from projects with other relevant purposes. This should go hand in hand with efforts to improving the transparency and specification of interventions. Improving statistics on technical cooperation is essential to support the clear need to learn further about the extent to which development partners invest in genuine CDS and what results these investments lead to.
- Fourth and last, the desk research conducted on developing-country management of support confirms that further empirical research in this area can further inform the concretisation and implementation of these recommendations and play a role in improving the effectiveness of support. This would allow for an assessment of the extent to which development partners facilitate tailor-made and context-sensitive capacity development, as well as for a comparison of the effectiveness of different instruments used. This could also help in gaining a further understanding of the interrelations between human resource development and the management of the public service and the extent of reliance on external CDS, as well as the approaches to CDS used and the complementarities between international, regional and "local" expertise and knowledge.

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Annex

Annex			
Types of aid as reported to the OECD			
Type of aid	Sub-type	2010	2011
A: Budget support	<i>A01: General budget support</i>	2,384	1,822
	<i>A02: Sector budget support</i>	3,390	2,392
B: Core contributions and pooled programmes and funds	<i>B01: Core support to NGOs, other private bodies, PPPs and research institutes</i>	3,418	3,260
	<i>B02: Core contributions to multilateral institutions</i>	Not available	Not available
	<i>B03: Contributions to specific-purpose programmes and funds managed by international organisations (multilateral, INGO)</i>	13,766	10,024
	<i>B04: Basket funds/pooled funding</i>	1,479	2,039
C: Project-type interventions	<i>C01: Project-type interventions</i>	54,569	60,947
D: Experts and other technical assistance	<i>D01: Donor country personnel</i>	2,491	2,797
	<i>D02: Other technical assistance</i>	3,957	3,605
E: Scholarships and student costs in donor countries	<i>E01: Scholarships / training in donor country</i>	1,365	1,211
	<i>E02: Imputed student costs</i>	2,210	2,321
F: Debt relief	<i>F01: Debt relief</i>	4,546	6,704
G: Administrative costs not included elsewhere	<i>G01: Administrative costs not included elsewhere</i>	5,992	6,173
H: Other in-donor expenditures	<i>H01: Development awareness</i>	0.387	0.340
	<i>H02: Refugees in donor countries</i>	3,570	4,543
Not applicable		-0.001	-0.822
All types, total		103,532	108,103
Notes: <ul style="list-style-type: none"> • Source: own compilation based on OECD Creditor Reporting System: data for all DAC countries, in current prices (billions of US dollars), disbursements • Activities of the types of aid in the highlighted cells are reported as Freestanding Technical Cooperation 			
For definitions of the types of aid used, please refer to OECD (2009)			

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