

Time for Rethinking

Capacity Development in a Changing
Landscape of Development Cooperation

Preface

This seminar report is a part of Sida's review of its approach to capacity development. The *Swedish Policy for Global Development* and the *Paris Declaration on Aid Effectiveness* provide new frameworks, which place capacity development at the centre stage of development cooperation.

The seminar was held against the background of mounting criticism of uncoordinated and donor-driven technical assistance. The Paris Declaration is clear about the need for harmonization in this field, as well, but little has been seen in practice at country level.

The main purpose of the seminar was to draw conclusions of use to Sida's work in this field. We also hope that the report from this seminar can contribute to the international discussion on how to sustain and enhance country capacity for poverty reduction.

Stockholm, October 2006

A handwritten signature in black ink, appearing to read 'Staffan Herrström', with a stylized, flowing script.

Staffan Herrström

Head of the Department for Policy and Methodology

Abbreviations

CFTC	Contract Financed Technical Cooperation
DAC	Development Assistance Committee
ECPDM	European Centre for Development Policy Management
EFA	Education for All
FÖLJSAM	Special Arrangement for Support to a select number by Swedish Government Agencies for International Cooperation
GOVNET	DAC Network Governance
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
ITP	International Training Programme
JFA	Joint Financial Arrangement
KfW	Die Kreditanstalt für Wiederaufbau (i.e. the German Development Bank)
KJAS	Kenya Joint Assistance Strategy
KWSP	Kenya Water and Sanitation Programme
LenCD	Learning Network on Capacity Development
LFA	Logical Framework Approach
MFA	Ministry of Foreign Affairs
MJCA	Ministry of Justice and Constitutional Affairs, Kenya
MPF	Ministry of Planning and Finance, Mozambique
MWI	Ministry of Water and Irrigation, Kenya
NGO	Non-Governmental Organization
PAM	Performance Assessment Matrix, Nicaragua
PCO	Programme Coordination Office
PGD	Sweden's Policy for Global Development
PFM	Public Financial Management
PRS	Poverty Reduction Strategy
PIU	Project Implementation Unit
POM	Sida's Department for Policy and Methodology
QAG	Quality Assurance Group, Mozambique
SAREC	Sida's Department for Research Cooperation
SWAP	Section Wide Approach
TA	Technical Assistance
WTO	World Trade Organization

Published by Sida 2006

Department for Policy and Methodology

Author: Lage Bergström with Ingemar Gustafsson and Lotta Viklund McCabe

Printed by Edita Communication AB, 2006

Art. no.: SIDA30709en

ISBN 91-586-8298-8

ISSN 1653-882X

This publication can be downloaded/ordered from www.sida.se/publications

Contents

1	Towards an Action Plan	5
	Conclusions from a seminar on capacity development	5
	Issues of relevance to an action plan	6
	The way forward.....	8
2	In light of the Paris Declaration on Aid Effectiveness	10
	Capacity development is now high on Sida's agenda	10
	Calls for a shift in perspective.....	12
	An evolving Sida framework	15
	“Let go of the control approach!”	17
3	Alignment and Harmonisation: Four Cases	18
	Budget Support in Nicaragua.....	18
	Public Financial Management in Mozambique	20
	Harmonisation efforts in the Kenya Water and Sanitation Programme (KWSP).....	22
	The issue of a “Programme Coordination Office” in a Reform Programme	24
	The journey of rethinking has just started... ..	24
4	Learning from Evaluations	27
	What do we really know?.....	27
	Evaluation of support for institutional development	30
	Focus on the endogenous process	32
	The issue is to agree on a relevant framework	34
5	In light of the Swedish Policy for Global Development	35
	At the Core of Development Cooperation... ..	35
	Knowledge and sustainable institutions	39
	The Swedish resource base and the role of Swedish parties	41
6	Concluding remarks	47
	Group work on proposals for actions.....	47
	Concluding comments from POM's participants.....	48

Appendix 1 50

Appendix 2..... 52

Appendix 3..... 54

Appendix 4..... 57

POM Working Papers 61

1 Towards an Action Plan

Conclusions from a seminar on capacity development

In March 2006, a two-day seminar on capacity development was held in Stockholm. The first of its two purposes was to examine Sida's approach to capacity development through the lens of the *Swedish Policy for Global Development*¹ and international trends and experiences, including the *Paris Declaration for Aid Effectiveness*² and international "good practices". The second was to analyse what implications these two perspectives will have for Sida's way of working, and make a first attempt at developing an action plan for Sida's future work with capacity development issues.

The seminar was intended for Sida staff, and was attended by about 30 Sida staff members, including three from the Swedish embassies in Kenya and Nicaragua. The first day was also attended by two European Centre for Development Policy Management (ECDPM) researchers, who had been coordinating a major international good practice study on "Capacity, Change and Performance," a study carried out at the request of the DAC Network on Governance (GOVNET).

During its first day and a half, the seminar was a mixture of short presentations on topics such as the Paris Declaration, field reports, questions concerning institutional change and evaluation as well as the Swedish Policy for Global Development (PGD) and Sida's cooperation with Swedish parties³. After each presentation, the topic was discussed first in small groups, and then by all the participants. The small group discussions were recorded and presented on large wall sheets that remained on the wall throughout the seminar, for the benefit of all the participants.

The groups used the last half day to brainstorm about proposed practical steps Sida could or should undertake in order to enhance the organisation's work with capacity development issues in the new aid environment.

Chapters 2–5 describe the content of the seminar in greater detail. Appendix 4 summarises the participants' proposals for an action plan, with the relevant issues discussed below.

¹ "Shared Responsibility – Sweden's Policy for Global Development". Government Bill 2002/03:122.

² "Paris Declaration on Aid Effectiveness", OECD High Level Forum, 2005. Available at <www.oecd.org>.

³ The programme is enclosed in Appendix 1.

Issues of relevance to an action plan

This section seeks to identify and highlight some of the main perspectives and issues that were brought up in presentations and discussions at the seminar.

Sida was found to possess a great deal of experience of working with capacity development issues, both at policy level and field level:

- Experiences and capability from many years of working with capacity development support in different forms of programmes and projects. However, Sida's experience has not been systematically documented or analysed.
- Clear principles and a well-founded position, both in the policy⁴ and the new manual⁵, which is in line with the conclusions of the new DAC Good Practice Paper⁶ about capacity development.

However, the seminar discussions also revealed that the changing framework for sustainable development aid through the PGD and the Paris Declaration indeed poses new challenges and demands on how Sida can and should work with capacity development. The need to address both strategic issues and improve methods of planning is a critical challenge.

Two strategic perspectives

The seminar discussions found a clear need to rethink the notion that capacity development is knowledge transfer through external input. Instead, capacity development should be viewed as an endogenous process that can be stimulated, but not engineered, from outside. There is also a need to relate all capacity development efforts to the overall objective of poverty reduction. Capacity for poverty reduction calls for support of broad national reform efforts containing a strong political dimension. Mechanisms for coordinating donor inputs have to be developed. However, the seminar raised more issues than solutions regarding these new challenges. These issues centre both on *what* type of capacity was needed, and *how* to achieve it.

Regarding the first point, both the Swedish Policy for Global Development (PGD) and the Paris Declaration identify priority areas for capacity development such as financial management and procurement capacity and poverty analysis capacity. Furthermore, the PGD is based on the assumption that Sweden enjoys a comparative advantage in many areas and hence that Swedish parties will be able to make an even greater contribution than in the past. The international experience presented at the seminar shows the need for new analytical frameworks for analysis and mechanisms for cooperation between donors.

Two important perspectives on capacity development as a process emerged from the seminar:

- *Capacity is about the potential and strength that all people have to create their own future.* This perspective, which follows the PGD, focuses on capacity as the empowerment of poor individuals and social groupings. This potential or capacity can be enhanced by factors such as education and training, as well as by making it easier for individuals and groups to work, start enterprises and make their voices heard. In practice, capacity development means identifying the often institu-

⁴ "Sida's Policy for Capacity Development", 2000. Available at <www.sida.se>.

⁵ "Manual for Capacity Development", Sida, 2005. Available at <www.sida.se>.

⁶ "The Challenge of Capacity Development: Working towards Good Practice", DAC Network on Good Governance, 2006. Available at <www.oecd.org>.

tional constraints, such as bureaucratic obstacles to starting an enterprise, securing a loan or participating in the political process, that stand in the way of realising that potential.

- *The potential or capacity of national systems to manage the national budget in an efficient way and to deliver services.* This perspective is central to the Paris Declaration, which explicitly mentions the need to improve the financial management and procurement systems in partner countries, but also implies that there is a need for a new generation of public sector reforms, which are being implemented in many countries. The Paris Declaration calls for national capacity development plans. In terms of the framework used in Sida's policy and the recent DAC paper on capacity development, this means coordinated donor support to improve complex national systems.

A concern, expressed during the seminar, was that the second perspective would be prioritised in the future at the expense of increasing the capacity of poor people to form organisations, make their voices heard, and otherwise improve their situation.

The challenge for Sida will be to combine these two perspectives and to adapt its approach accordingly. The first perspective will mean an emphasis on human resource development from adult literacy to research capacity, as well as on the capacity of the civil society. It will also require a better understanding of how formal and informal institutional frameworks provide opportunities or create constraints for poor people.

The challenges in the second perspective will be to find ways to support complex reforms of public sector systems in a coordinated way. These efforts have to balance flexibility with planning, and expectations of short term gains against well-documented evidence that complex reforms take time.

Issues to be addressed

Some of the implications of the Swedish Policy for Global Development are:

- a) Capacity development is about knowledge and empowerment of poor people.
- b) Capacity development efforts should focus on human resource development, the capacity of civil society organisation and the identification of institutional constraints.
- c) Some areas of capacity development are more important than others in relation to the overall objective. A few are mentioned explicitly but all of them should be identified.
- d) Swedish parties should be identified and encouraged to participate in this work. A position paper is being prepared.
- e) The role and experiences of Swedish civil society relating to capacity development should be more closely integrated with Sida's work.
- f) SAREC has a long tradition and abundant experience in developing research capacity relevant in this context.

Some of the implications of the Paris Declaration are:

- g) There is a focus on national institutions and organisational systems for financial management, procurement, education, health etc. Little is known or documented on how to analyse and encourage change in these systems. Nor is there a well-developed approach to evaluation.

- h) There is a need for mechanisms for coordinating donor input without undermining national ownership.
- i) There is a need to develop flexible approaches that consider both long-term and short-term results.
- j) There is a need for Sida to identify strategic areas of the poverty perspective in which it enjoys, or wishes to enjoy, a comparative advantage.

Implications for Sida

The *strategic issues* should be addressed. They relate to those areas of capacity development that Sida should focus on. They also relate to the balance between the two perspectives mentioned above. In practice, this means that there will be a greater emphasis on the aspect of capacity development that relates to the empowerment of people living in poverty.

There are also some *methodological issues* that should be addressed.

These include:

- the need for a Sida specific set of well-documented case studies to serve as good practice studies,
- further refinement of analytical tools and checklists,
- suggestions on how to include capacity development in the dialogue at country level,
- development of a common understanding at Sida about the role of Swedish parties in programmes and projects,
- follow-ups of international experience,
- approaches to follow up and evaluation of capacity development efforts.

Finally, there is a need to *enhance staff competence* in this area. These new challenges call for innovative systematic efforts.

The way forward

In January 2006, The Department for Policy and Methodology (POM) called a first meeting of the in-house *Reference Group for Capacity Development issues*.

This Reference Group is comprised of highly qualified individuals with a thorough knowledge and experience of capacity development issues, representing a broad range of complementary expertise.

The overall objectives of the Reference Group are to:

- contribute to the development of an overall strategic framework for the inclusion and integration of capacity development issues in Sida's work, both at headquarters and field level.
- act as an advisory group and support Sida's engagement and contribution to the ongoing international work on capacity development issues.

The Reference Group will be an important forum in moving the action plan forward in terms of deciding priorities and allocating responsibilities.

The next step will be to develop an action plan for Sida. The seminar concluded (cf section 6) that Sida's management needs to reconsider certain strategic issues relating to the agency's role in coordinated efforts with other donors. These issues deal with joint frameworks for analysis

and evaluation of capacity and capacity development efforts. Sida must also consider strategic issues that relate to other Swedish parties.

The participants also asked for hands-on tools and systematic training efforts throughout the area of capacity. Finally, Sida's experience needs to be analysed in a more systematic way than has so far been the case.

2 In light of the Paris Declaration on Aid Effectiveness

Capacity development is now high on Sida's agenda

Opening remarks by Staffan Herrström

For many years I worked in Sida's programmes in Eastern Europe. Based on this experience, I feel very much at home participating in this seminar on capacity development, because the process we have seen in Eastern Europe is very much about capacity development. Our cooperation partners wanted to change their systems from the Communist Era into something new and better. This meant that new capacity has to be developed on the ruins of the old, inadequate system – which was quite a challenge.

We learned that this is a process that takes time. People often asked us “Why don't you get the job done?” As an example, since environmental conditions in the Baltic Sea were deteriorating due to inadequate sewage systems in the big cities on the Eastern shore, many new wastewater treatment plants were needed. When people asked us why building these took so long, we explained that this was not the function of Sida. Our task was instead to help a country develop the capacity needed to build these plants. But sometimes it was quite difficult to get this message across to people.

However, Sida's experience is very clear in this respect – development efforts can only be sustainable if the countries themselves take responsibility for these activities. We can provide support from the outside, but the ownership must lie with the cooperation partners, and this means that there must be internal systems for implementing the activities. In other words, a country's capacity has to be enhanced to make it possible for that country to take on the responsibility.

We have seen many encouraging experiences in these efforts. One example is the work done by Ms Angel Cepenaite, who I met ten years ago when she was heading the Department of Social Services of Vilnius, Lithuania. Together with some colleagues she took part in a workshop to learn about the Swedish approach to social work. This was quite challenging. During the Communist Era, social work was considered unnecessary, as the Communist system was deemed so perfect so that no social problems could arise. Thus, for Angel this workshop was a starting point for a period of rethinking and relearning what social work really is about. But Angel's own rethinking of her professional capabilities was not enough. Her staff at the Department of Social Services had to go

through the same relearning process, and consequently the internal organisational structure at her department had to be adjusted. Sida's support was designed in order to help the organisation develop in this way. But we realised that this was not enough.

The Social Services Department in Vilnius is part of an organisational system that has had to accept and adapt to changes in the Department. The performance of other organisational systems had to be changed, as well, if the changes at the Social Services Department were to succeed. For instance, the education of social workers had to change to enable Angel to recruit new staff members when needed.

Of equal importance were changes in the institutional framework. During the Communist Era, social services were based on institutional care. All over the Soviet Union there were "children's homes," each one with 300 children. These "homes" housed orphans, disabled children, children whose parents had drug problems, etc. You can say that the system was organised to hide these children from society, and to pretend that no social problems existed. Now, Angel and her colleagues had learned that this was wrong and they tried to develop new methods for social care and support to the families in need. Why then was the issue of the institutional framework important? Because the incentives for the municipalities to finance alternatives to the children's homes were very weak. The state paid for the children's homes, but if the municipalities wanted to organise social work differently, they had to find other funds.

So, in order to support the changes that Angel Cepenaite and others wanted to bring about, we at Sida had to work on all these levels in a consistent way. I won't say that all our contributions were optimised. Reconsidering our experience, we realise that there were also some mistakes made along the way. But the overall approach was a correct one, based on an analysis of needs on the individual, organisational and institutional levels.

This example illustrates the basic ideas in Sida's policy for capacity development. It also illustrates the importance of ownership in the development process. The basic commitment for change must come from our cooperation partners. We as outsiders can support the process, but the driving force has to come from within.

In our continued work in these areas, we now have two very important guiding documents, the Swedish Policy for Global Development (PGD) and the Paris Declaration on Aid Effectiveness.

I will start with the PGD, not only because it is the overall control document given to Sida by our government. We all know that the PGD clearly elaborates on and reinforces the issues of poverty reduction and human rights. But what is clearly shown in the background material to this seminar is that the PGD also sends some very strong messages on capacity development.

The need for capacity development efforts is also clearly enunciated in the Paris Declaration. Here too, however, capacity development is a responsibility of our partners, and efforts have to be made in line with a country's own policies and strategies. This is surprisingly often neglected in discussions among donors. While there are strategies and programmes to be implemented, the question is "by whom?" Who are those people who will get the job done? Too often, the different donors still regard themselves as the ones to take that responsibility.

I recently participated in a DAC Senior High Level meeting, where capacity development issues were discussed. At the meeting, I tried to convey the overall messages of Sida's capacity development policy as well

as Sida's view that we share the values about capacity development that are expressed in the Paris Declaration (i.e. the main points discussed in one of the background papers for this seminar). However, I must regrettably say that the reaction was not always encouraging. There were some influential representatives from various donors that didn't really understand what we were talking about. They felt there was no reason for change, and that their experienced TA personnel could do whatever job that was needed.

There is a need for change in the donor community in the direction pointed out in the Paris Declaration and a number of steps to take. I think we at Sida can contribute to this process of change by describing our experiences. In fact, in many respects we can act as agents for change in this work. But we don't have all the answers. We also need to learn, and Sida needs improvement, as well. Consequently this seminar presents an important opportunity to discuss these matters and to define what kind of changes is needed, both in Sida's internal work and in development cooperation, in general.

Calls for a shift in perspective

The *Paris Declaration on Aid Effectiveness*⁷ has important implications for the way donors work together to increase the capacity of partner countries. A background paper on this theme was prepared for the seminar by *Ingemar Gustafsson*. The purpose of the paper was to raise and comment on those explicit and implicit messages in the Paris Declaration of relevance to the discussion on capacity development.

Capacity Development and Poverty Reduction

By Ingemar Gustafsson

The Paris Declaration implies a shift of perspective when it comes to the planning and implementation of strategies for poverty reduction. It makes clear that success depends ultimately on the political will and capacity of partner countries. The role of donors is to support these national efforts. The key word is national ownership. A new partnership should be established through which donor driven projects are replaced by donor support of national strategies and reform plans. The partners have different roles to play and contributions to make for which they are accountable to each other. The Paris Declaration expresses this idea as "mutual accountability."

Political will without the capacity to plan and implement strategies for poverty reduction is of no avail. It is therefore no exaggeration to suggest that the Paris Declaration puts capacity and capacity development in partner countries at the focus of all development cooperation. This was underscored by many speakers at the Paris meeting in February 2005 and is reflected in some of the documents from the regional consultations, notably those that took place in Africa.

It is important to note that the Paris Declaration is about effectiveness in relation to poverty reduction. This means more than making development cooperation more efficient in an administrative sense. The implication is that the overriding theme should be capacity development for poverty reduction, not only capacity to make projects or programmes work better, or to be more efficient in general. There has been little discussion so far of how this focus on poverty reduction may impact capacity development efforts.

Alignment with country systems

Alignment is one of the main principles of the Paris Declaration. Donors should work through and align with existing systems. Thus, parallel systems, including Project Implementation Units should be avoided.

⁷ "Paris Declaration on Aid Effectiveness", OECD High Level Forum, 2005. Available at <www.oecd.org>.

Equally important is that donors work to strengthen existing systems. The Paris Declaration makes special reference to “procurement and public financial management systems that either a) adhere to broadly accepted good practices or b) have a reform programme in place to achieve these. “The minimum targets set are (a) a one third reduction of the percentage of aid not using partner countries’ public financial management systems and (b) a one third reduction of the percentage of aid not using partner countries procurement systems.

Experience to date shows that the functioning of these two systems is crucial to the implementation of national strategies and is a precondition for the increased aid flows envisaged. Experience also shows that donors generally consider these two systems not “adhering to accepted good practices.”

The implication is that donors should work together to help enhance these two systems. This reform work is currently going on in many countries.

The implication of the Paris Declaration, however, is wider. Although it is true that the text is mainly about the use of existing systems for increasing aid flows, the purpose is to support national strategies for poverty reduction. In this broader context it is envisaged that the external support is given more and more within a context of programme-based approaches, either as general budget support and/or as financial support to a sector or sub-sector. Programme-based approaches now drive a process of change, in which donors focus on national reform processes that involve both the State and civil society. The emphasis is on systems and their potential to change and to deliver good quality education, health, clean water and more. What this shift should mean in practice for donors is currently subject to debate and analysis but it is clear that this shift from projects towards national systems takes the whole debate on capacity development out of the technical domain associated with implementation of more limited projects. The question is: What does it mean in practice to take a systems approach to change and to capacity development efforts?

Harmonisation

The message in the Paris Declaration is that donors should harmonise their procedures and work practices. A lot of effort is currently put into this area by donors, perhaps more than into the alignment mentioned above.

There are several implications of this principle in relation to capacity development. The most obvious one is that donors should avoid duplication when it comes to Technical Assistance TA. This is hardly the case today. The UNDP review of Technical Cooperation demonstrates that traditional TA is supply driven rather than demand driven⁸. In fact it is to a large extent an instrument for donors to speed up implementation of donor projects and/or to ensure use and control of donor funds. The perspectives and objectives are not necessarily to enhance country systems in the longer term but to ensure efficient use of donor funds in the short term.

The challenge of the Paris Declaration and a recent DAC paper on capacity development is far beyond coordination and harmonisation of TA. It calls for a shift of perspective from short terms gains to long term and sustainable enhancing of country systems. Also it calls for a shared understanding and problem analysis and a coordinated strategy towards systems development among all partners involved in a reform process.

Anecdotal experience indicates that this is happening in a few cases around the world but these are the exceptions rather than the rule.

Managing for results

Countries and donors should develop “results-oriented frameworks” that make it possible to assess progress against a) the national development strategies and b) sector programmes.

There are examples of such frameworks that are being used to monitor implementation of Poverty Reduction Strategies and of Sector Reform Programmes. They usually contain a set of outcomes/outputs but it is also quite common that they include some process indicators i.e. how the parties should work together to implement and support the reform.

⁸ Capacity for Development New Solutions to old problems”, UNDP, 2002. Available at www.undp.org

It can be noted that very little has been said so far about results of capacity development efforts, neither in terms of outcome/output nor in terms of process.

There is a need for fresh thinking and development of methodologies for Monitoring and Evaluation of Capacity Development.

Mutual Accountability.

The Paris Declaration builds on the concept that results of development cooperation hinge on country ownership, reliable country systems etc but also on donor behaviour. The different partners are not only accountable to their constituencies but also to each other. Development cooperation is best understood as a partnership between many parties with mutual responsibility for the outcome of the cooperation programmes.

As a result, the process of cooperation in Tanzania includes the production of a monitoring report by an independent team of researchers. The report looks at performance by the Government of Tanzania and its donors fulfil commitments. Capacity development efforts, almost without exception, include some external inputs. They may consist of individual experts (traditional TA), of short term consultants, twinning arrangements, exchange programmes and the like. Throughout the history of technical cooperation, there has been a discussion about the relationship between the different parties involved in the process. The expert/counterpart relationship, the relationship between two “twins” or institutions, and relationships within a network have been part of this discourse. The perspective has mostly been one of learning. Capacity development has generally been understood as a learning process and this is indeed the heart of it.

But capacity development is also about steering. The typical pattern has been, and still is, that donor agencies contract and provide resources to professional individuals or organisations to do “capacity building.” There has not been much mutual accountability.

And yet, this is the challenge that the Paris Declaration implies. The question is how coordinated capacity development efforts can be organized and managed in a way that allows for mutual accountability.

Tanzania is an example. This dimension has not been part of the Independent Monitoring Report in Tanzania so far.

This is particularly important, as almost all resources allocated for capacity development by donors (20–25 per cent as an average) is not channelled through existing country systems.

The indicator of progress on this point is that “50 percent of technical co-operation flows are implemented through co-ordinated programmes consistent with national development strategies.”

Towards implementation

Some progress has been made at the international level. A DAC good practice paper on Capacity Development was approved on 14 February this year⁹. It reflects and develops concepts, principles and analytical frameworks that are in line with the Paris Declaration.

Evidence of coordinated efforts at country level is more anecdotal.

Sida did some work for the Nordic Plus group of donors. The report¹⁰ emphasises constraints, and there were few, if any, successful examples of well-coordinated capacity development efforts among donors.

What all this tells is that a start has been made, but that most parts remain to be done when it comes to this dimension of the Paris Declaration.

Success will depend on the readiness and capacity of each donor to work towards a coherent and coordinated approach at the country level. But as “charity begins at home,” Sida must first look at its own understanding of, and approaches to, capacity development in the light of the Paris Declaration.

⁹ “The Challenges of Capacity Development: Working Towards Good Practice”, DAC Network on Good Governance, 2006. Available at www.oecd.org

¹⁰ “Report and Conclusions related to Activity 4 of the Harmonisation Plan; Coordinated Capacity Efforts”, by Ingemar Gustafsson and Martin Schmidt, Sida 2005-09-20.

An evolving Sida framework

Presentation by Ingemar Gustafsson

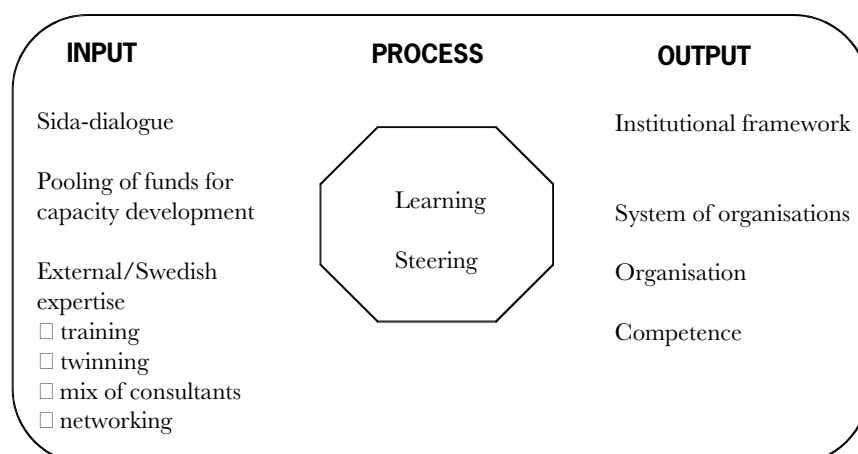
The purpose of this presentation is to link Sida's capacity development policy and practice to the Paris Declaration in order to provide a framework for these discussions. In doing this, it is important to remember, that Sida is a donor for whom capacity development has been important in virtually all projects and programmes. Capacity development in the world of development cooperation has invariably been associated with, and even defined and understood, in terms of our inputs, and Sida is no exception. This is reflected, for example, in the statistics that donors send to the DAC, which measure the amount of technical assistance (TA) provided by the donors.

Capacity development as the right mix of inputs

Over the years, there has been an intensive discussion about the right mix of these inputs. Is the best way to build capacity to provide individual experts, individual scholarships for studies at Swedish universities or a combination of both? Or should Sida instead organize international courses as in the present International Training Programme? If the objective is to build research capacity, however, should this be done in cooperation with researchers in Sweden, and how? What is the right mix between short-term and long-term consultants, study tours and formal training programmes? Answers to these kinds of questions have been sought in the many arrangements in which professional Swedish organisations have worked with their counterparts, whether known as Contract Financed Technical Cooperation, Twinning or Institutional Cooperation.

All these discussions rest on the assumption that capacity is about knowledge, education, training and research or, in short, human resource development.

Historically, at Sida, needs for capacity development have been defined within the framework of bilateral projects. Capacity development has been a component of the project or the main objective of it. The purpose of our input has been to make the project work better and success has been measured on account of the ability of the project to deliver the agreed outputs as soon as possible. There are also many examples of projects aimed at developing the capacity of the partner organisation on a longer term perspective. However, there has always been a tension between short-term gains or performance and longer term objectives of capacity improvement. Sida's task has been to identify and



provide professional input. Sida's role has also been to steer and follow up in cooperation with its partners, whether Swedish or not. The picture below summarises this input-output relation.

Call for a more generic understanding of capacity

The Paris Declaration and the recent international discussions call some of the underlying assumptions of the input-output model into question.

First, there is growing international consensus that capacity and capacity development can best be understood as an endogenous process. In the final analysis, capacity grows from within. It cannot be transferred from outside. This is true for individual human beings, for organisations and for nation states. The emphasis on national ownership in the Paris Declaration reflects this conclusion.

This calls for a different and more generic understanding of capacity and of capacity development, regardless of our contribution or of the contribution of other donors. It is a bit of an intellectual challenge to turn the perspective around. This raises general questions such as what is it, generally, that make individuals and organisations capable of “performing tasks and producing outputs, of defining and solving problems and making informed choices” as the European Union puts it.

This means that today there is international consensus on capacity development as an endogenous process at least at the policy level, as reflected in the new DAC paper. Whatever the context, or whatever definition you have, it is useful to consider and analyse capacity development objectives at three levels:

- a) the individual level,
- b) the organisational level, and
- c) the enabling environment level.

It is useful to think of the enabling environment in terms of institutional frameworks and “the incentives it creates.” See the box.

This simple analytical framework is very close to the one that can be found in Sida's policy on capacity development¹¹ and used throughout in the new manual on capacity development¹².

This also reflects that the international community is moving towards a common language and understanding of capacity development. A framework and platform for analysis and action, which has not previously existed, is now in place. However, this is just a beginning. The challenge is what should happen in practice as a result of this shift of perspective and of the analytical framework that has been agreed upon by the DAC. The challenge will be to redefine the role and contribution of external parties such as Sida.

The enabling environment

The enabling *environment* influences the behaviour of organisations and individuals in large part by means of the *incentives* it creates. For example, whether or not an organisation is able to achieve its purposes, depends not just on whether it is adequately resourced but also on the incentives generated by the way it is resourced under prevailing rules. Organisations or networks of organisations can be viewed as “open systems”, which are in constant interaction with elements of their context. The context provides incentives to the organisation(s), stimulating them to act in certain ways. Some incentives foster productivity, growth and capacity development, others foster passivity, decline or even closure. In turn, organisational and institutional rules influence individuals' capacities by ing incentive structures that either give or deny them opportunities to make good use of their abilities and skills.

From “*The Challenge of Capacity Development: Working towards Good Practice*”, DAC Governance Network, 2006.

¹¹ Sida, Methods Development Unit, 2000. “Sida Policy for Capacity Development”. Stockholm.

¹² Sida, Department for Policy and Methodology. “Manual for Capacity development, Methods Document, available at www.sida.se

“Let go of the control approach!”

Issues raised in the discussions

In the discussions, several groups emphasised the need for greater *flexibility* in our approach to capacity development. Sida and other donors need to let go of the control approach and instead look more for opportunities for learning, thereby allowing for much more flexibility in our support. We must let go of the underlying notion of viewing Sweden as the norm. Consequently, we should not only use Swedish resources in the programmes. There are additional possible solutions, such as tripartite, south-south and local consultants.

Other issues raised were the following.

- *Who defines which capacity is needed in a country?* How do we (donors) react when countries do not adopt the same priorities as the donors do? Are we prepared to accept their values and priorities? When do donors draw the line so that lack of ownership leads to a termination of support?
- *Ownership vis-à-vis the other donors?* We need to become better at working together with other donors. We are not always the best! We need to listen more and to accept that other donors might be much better suited for taking the lead in certain areas.
- *There is a Catch 22 in working with programme-based approaches.* There is clearly an underestimation of the complexity of top-down system-wide approaches. Without input from the field (bottom-up approaches) these reforms will not work. It is crucial that the strategy of the support grows from the field input and innovative approaches to change. There should be a gradual and stepwise approach towards broader goals. At the same time it is important to deal with general and overarching problems in the ministries, for example low salaries and therefore weak incentives.
- *The prevailing short-term perspective* of involved parties creates a barrier to increasing capacity. One important reason is the disbursement goal, which drives the process of cooperation towards immediate gains and results. Another obstacle is the lack of continuity of personnel. But we have to realise that capacity development cannot be done through “quick fixes”.
- *Sequencing* is also an important issue. The first thing needed is prioritisation – identifying where the potential lies and starting there. There has to be a realistic view of what is possible to achieve.

There were also doubts raised whether the Paris Declaration could be put into practice. For instance, one of the groups argued that it is important to think about the *aid-trends pendulum*. Now, large-scale programmes are the trend, what issues have we forgotten? What will the end results be? What will the judgement be in 10 to 20 years?

3 Alignment and Harmonisation: Four Cases

Donor agencies should align with and work through existing systems in partner countries. In addition, they should strive to harmonise their approaches and procedures. These are two important messages of the Paris Declaration.

What issues are most urgent for Sida's ongoing work with capacity development in light of these two guidelines? In what way has the Paris Declaration affected every-day work in the field?

A first observation is that the Paris Declaration means a move from a project approach towards programme-based approaches. This drives the capacity development agenda from capacity development within the purview of bilateral projects towards broader systems. As a result, all donors seem to have concluded that increased budget support must be accompanied by improvements in financial management and procurement systems. These two are mentioned explicitly in the Paris Declaration.

But the move from a project approach to a sector-wide approach regarding national reform work also changes the perspective on capacity development efforts within sectors such as water, education and health.

One important implication is that donors should avoid by-pass solutions, including Project Implementation Units, PIUs.

But the broader question should also be posed. If the capacity for broad national reform processes has to grow from within, what then should the role and contribution of external donor agencies be? What is it that external parties can provide that countries could not achieve on their own?

Whatever the answer is, the Paris Declaration requests donor agencies to coordinate their contributions and/or create a clear division of work between them. Is this happening in practice today?

Budget Support in Nicaragua

Presentation by Mikael Elofsson & Sten Ström

One condition for the implementation of the Paris Declaration is a high level of confidence between the government and its international cooperation partners. Today we have a good working climate in Nicaragua in this respect. Since 2001, the government has made significant commitments to the international development agenda. The president has

maintained quite a high profile internationally and attended the high level meeting when the Paris Declaration was signed. Thus, there is really a difference in the working climate, as compared to the years before 2001, when the government was not really trusted by the cooperation partners. However, what will happen in the elections this November is anyone's guess. This is one of the main concerns, because the whole idea behind programme-based approaches is their long-term nature. But how can we provide long-term financial support in the face of drastic political changes. In other words, how can this kind of coordinated international support be combined with democracy in countries highly dependent on external aid?

So far, the focus for alignment and harmonisation in Nicaragua has been on terms and procedures for budget support and sector budget support. There have been extensive efforts to create a Joint Financial Arrangement (JFA). In order to agree on this, compromises were needed from all parties, for the common good. We had extensive discussions on the practical implications of this. How can we support the endogenous processes for improving procurement and public financial management systems, deal with policy framework issues, etc? We emphasised that the dialogue is of crucial importance in the follow-up mechanisms for these.

A so called Performance Assessment Matrix (PAM) has been developed, which is composed of a number of indicators, including some of those originally defined in other frameworks, i.e. stemming from multi-lateral programmes. There is still some progress to be made before the discussions can be considered to be fully based on the notion of national ownership. The donors demand, and rightly so, some kind of assurance that the systems for procurement and financial management are working better. Consequently, the first generation PAM in Nicaragua resulted in a complex document with too many indicators. The design and the size of the PAM did put restrictions on the usefulness of the document as a point of departure for a focussed policy dialogue between Government institutions and the donor group.

Capacity development is mentioned only once in the PAM (i.e. about the capacity to handle donors), but there are underlying reform agendas about most issues in the PAM. In actuality, capacity development is crucial to the success of these reforms. But we haven't really come down to these realities, yet. So far, the attention has been on agreeing on terms and procedures.

A group of donors have agreed on the JFA and the PAM and are channelling an increasing part of their aid through budget support. While this is a step forward, what about those donors outside this agreement? A mechanism is needed to enable them to get on board later on. In Nicaragua we have such a mechanism, a roundtable system for harmonisation and alignment launched in 2003. This kind of roundtable exists on a national level and in some of the sectors. The work there is very challenging, because project support still amounts to 80 percent of total aid.

There are many other challenges ahead of us. One relates to the mindset used in planning. It is obvious that today there is a "project approach" to planning in the ministries. The staff is used to identifying possible projects and presenting them to potential financiers. The idea of planning on the basis of the needs for the entire sector hasn't really arrived. Changing this view and developing the capacity needed is not an easy task.

Another challenge is the increasing politicisation of the support. How can we deal with this in the dialogue? Although perhaps this would not be very difficult in countries with stable regimes, in situations like today's Nicaragua, where the political debate is intensive and the government is involved in something like a "war" with the National Assembly, this can be very problematic. Many of the issues in this debate are the same as the issues involved in the dialogue with the donors. This will become even more apparent when the sector budget issues assume a more prominent place on the agenda.

Public Financial Management in Mozambique

Presentation by Hallgerd Dyrssen

Sida has been a cooperation partner to the Mozambican Ministry of Planning and Finance (MPF) for 17 years. The cooperation has gone through different phases over these years. The box below gives a brief overview. It is actually a story of professional support in view of alignment and harmonisation. What have been the problems, and what are the lessons learned?

Phase 1, bilateral projects: 1988–2001	Phase 2, transition to more harmonised approach: 2001–2003	Phase 3, current situation
<p>Focus on some major subsystems financed and supported in project form by donors.</p> <p>Sweden is one of the largest donors, providing support to accounting</p> <p>Our approach:</p> <ul style="list-style-type: none"> – Long term time horizon. – Building basic capacity, creating understanding of content. – Reform work integrated and implemented within the line organization. – Not moving faster than partner country. – Flexibility. <p>Our input:</p> <ul style="list-style-type: none"> – First private consultancy firm. – Then Swedish government agency with similar systems responsibility as the Ministry of Planning and Finance, MPF. This "semi-twinning" support included a mix of long and short term consultants, training/scholarships and equipment (computers etc). <p>Donor coordination was neither efficient nor successful.</p>	<p>Severe criticism of Mozambican public financial management using BWI diagnostic tools¹³.</p> <p>The then eight budget support donors concerned themselves over the ongoing reform process. An independent review was called upon.</p> <p>Conclusions from the review were highly critical and deemed that MPF was unable to manage national reform.</p> <p>Donors and IMF alarmed. IMF takes the lead.</p> <p>The three core bilateral donors (DFID, Sida and EU) were requested to withdraw.</p> <p>The reform was redirected and a new draft conceptual model of a financial management system was proposed.</p> <p>The recently established "reform coordinating unit" within MPF was transformed into a "project implementation unit" (PIU).</p> <p>The changes caused turmoil and conflict.</p> <p>An independent Quality Assurance Group (QAG) was eventually appointed.</p>	<p>Three central subsystems of reform (budgeting, accounting and treasury/ payment system) under one umbrella, the IMF.</p> <p>Approach:</p> <ul style="list-style-type: none"> – Time horizon considerably shrunk. Tight implementation plan. Hurry. – Strong technical focus. Reform driven by IT. – Reform implementation unit separate from line organization. <p>Input:</p> <ul style="list-style-type: none"> – Massive TA. Both long-term and short-term consultants, training programme and equipment. <p>Financing:</p> <ul style="list-style-type: none"> – Reform of the three central subsystems financed through a common pool. Steering Committee consisting of MPF and budget support donors. – Changes in some other subsystems financed as projects. <p>Donors:</p> <ul style="list-style-type: none"> – Fairly large number of donors active. – Varying consensus among donors. <p>Monitoring:</p> <ul style="list-style-type: none"> – Continuous reviews by the independent QAG. – Regular IMF supervision missions.

¹³ BWI stands for "Bretton Woods Institutions". The diagnostic tools used were Country Financial Accountability Assessment (CFAA), Public Expenditure Review (PER) and Report on Observance of Standards and Codes (ROSC).

The first phase (1988–2001) was a long, fairly slow development process with limited (visible) progress. However, an independent evaluation in 2004¹⁴ showed substantial improvements in the subsystem supported by Sida. One problem had been that Sida and the other two large donors were occupied with what happened in their particular subsystems. It took a long time before Sida realised the need to conceptualize project activities into an overall general financial system reform.

During the second phase, there were several donors who wanted to increase their budget support to Mozambique rapidly and substantially. These donors were concerned about the quality of the Mozambican financial management system, which was assessed as not good enough. It was also felt that the gradualist approach that had evolved in the cooperation with Sida during the first phase had to be accelerated. The donor group was frustrated both with the pace and the breadth of the reform efforts. This became the point of departure for the transition to a second and more harmonised approach for the reform. In this process however, many problems emerged:

- No proper consensus among the donors regarding reform content and progress.
- No systematic tackling of capacity development issues.
- Lack of MPF competence to assess and choose reform models.
- Lack of MPF capacity to design reform strategy and to plan, manage and monitor reform implementation.
- Varying degree of ownership over time depending on understanding, incentives and donor behaviour.
- Lack of donor competence to assess alternative reform models including implications for capacity and costs.
- The independent Quality Assurance Group, QAG was initially regarded as a threat but has now gained in trust and respect. It could be used more efficiently for learning by MPF and donors.

The process is well documented in different studies and reports (cf references in appendix 3). The experience clearly supports the position that capacity development issues should be tackled from the onset and should be one of the bases for designing and planning reforms. Other conclusions with respect to capacity development include the following.

- An in-depth capacity development analysis (*not* a training needs assessment) covering the individual, organizational, systems of organization and institutional levels should be made and included in the reform package.
- Analyses and diagnostic work should be done jointly between partner country and donors, with conclusions preferably shared in order to serve as bases for reform design.
- An understanding of reform issues and needs is an important element of ownership.
- Informed and constructive dialogue between partner countries and donors can only take place if there is adequate knowledge and competence on both sides.

¹⁴ Sida Evaluation 04/29: "Mozambique State Financial Management Project (SFMP)", by Ron McGill, Peter Boulding, Tony Bennett.

- The way in which TA/consultant support is designed and delivered has implications for what kind of capacity development could be achieved. It is vital to consider these linkages in order to achieve desired results.
- The partner country's understanding and analysis of its capacity needs and how they should be dealt with may not necessarily coincide with the donors' views of the same. Whose agenda will determine the decisions? Implications for ownership?
- Independent monitoring/quality assurance is an important tool in complex reform programmes. It should be planned with built-in opportunities for learning, for both the partner country and the donors.

As an overall conclusion, this case confirms an insight that reform and capacity development take time regardless of eagerness for results and the desire to increase budget support.

Harmonisation efforts in the Kenya Water and Sanitation Programme (KWSP)

Presentation by Ulrika Åkesson

The KWSP (Kenya Water and Sanitation Programme) is an interesting reform programme for the water sector in Kenya, and is supported by Sida and Danida. Its purpose is to support a process at the Ministry of Water and Irrigation (MWI) to establish institutions and a new structure for roles and responsibilities in this sector. The Ministry is to deal exclusively with policy issues, while the newly created Water Services Boards and Water Resource Management Authority (for protection of catchment areas) will be separated from the Ministry. Other institutions created as part of the reform process include the Water Appeals Board, the Water Services Trust Fund and the Water Services Regulatory Board.

The KWSP is a first step to a SWAP, and procedures for joint follow-up missions and reviews have been agreed upon, including the other reform programme at the Ministry supported by GTZ. So far, there are only three donors in the Joint Financing Arrangement (JFA): Sida, Danida and GTZ. But these three are the only donors that directly support the reform process through support to the MWI. There are many other donors involved in the water sector, but most of them channel their support to other partners.

The focus of the presentation is on technical assistance (TA) and the challenges presented by harmonisation. Since Sida, Danida and GTZ

KWSP – some basic facts

- A 5-year programme (2005–2009) co-funded together with Danida and Government of Kenya (Sida contribution SEK 190 million).
- Support of the water sector reforms in Kenya (based on the Water Act 2002 and a transfer plan), to promote the establishment of new institutions.
- The Ministry will deal with policy issues only.
- The Water Services Boards and Water Resource Management Authorities will be separated from the Ministry.
- A Programme Coordination Unit (Kenyan programme coordinator + Danida advisor) in the Ministry will facilitate but not implement.
- TA to the programme approximately 20% of the Sida contribution: two international and three national long-term consultants, and many on short-term contracts. The Swedish consultancy firm ORGUT has been contracted for this.
- A Joint Financial Arrangement with Sida, Danida and GTZ is in place. Later this year the Netherlands and UNICEF will join in.

have joined forces in support of the reform process for the water sector, TA support should be harmonised. This has at times been a challenge, because of the difference in views on roles and responsibilities.

Danida's view on capacity development and TA, as experienced so far under the KWSP, can be summarised in the following points:

- Unlike Sida, which views the role of advisors as primarily building capacity, Danida focuses on having them partly “doing the job.”
- Consequently, Danida's advisors appear to have been recruited to have the “right” knowledge, and to serve as a long arm of Danida, checking how Danish funds are spent. This approach may fail to support the ministry's own organisation
- Danida still prefers to recruit the advisors as individuals, rather than contracting TA teams by procurement systems with free competition. When Sida argued that the Ministry should procure all the TA needed, Danida opposed this. However in some other programmes we experienced a different position.
- Danida no longer works with twinning. In fact, new Danida rules preclude co-financing of any twinning arrangement.

Although GTZ has agreed on the JFA, a harmonised approach to TA support is not included in the JFA, and this creates some difficulties. The Ministry has a special TA unit with GTZ personnel, which at times leads to overlaps and difficulties in harmonisation in relation to the KWSP. In order to minimise these overlaps, coordination meetings have been organised, but since different structures are already in place, harmonisation is difficult.

Other large donors in the water sector include KfW (the German Development Bank) and AFD (French Development Cooperation). Their view emphasises infrastructure, and they have actually been complaining that KWSP is overly focused on capacity development.

These different views and approaches among donors cause some confusion and conflicts in the harmonisation efforts. But there are positive trends as well. On the Kenyan side, there is a recognised need to build capacity in the sector. Donors do not impose TA here in the same way as in many other countries, but instead accord more weight to partner requests.

There is also some development towards a Kenyan Joint Assistance Strategy (KJAS), which will define who will or will not stay in the sector, thus representing a clear move towards a SWAP for the water sector. This may lead to a more thorough discussion on TA and capacity development, which will most likely help to identify other parties for capacity development through a stakeholder analysis. There is an experienced and well-educated Kenyan resource base. Already, 81% of the TA resources in KWSP are Kenyan consultants. The KWSP also has a strategy of entering into cooperation agreements with relevant national organisations for more long-term support as a step towards “Kenyanisation” and the creation of a sustainable situation after the phasing-out of the current consultancy support.

Eventually this may lead to a sector reform programme, which can increase in scale and hopefully incorporate a shared view on TA and capacity development.

The issue of a “Programme Coordination Office” in a Reform Programme

Presentation by Sara Gustafsson

Governance, Justice, Law and Order Sector Reform, GJLOS, in Kenya is a programme supported by 15 donors, of which eight contribute to a common financial basket. The programme is about governance and justice and includes reform activities in 32 departments and semi-autonomous agencies under five different ministries. These departments and agencies include the police, the prisons, the public prosecutors, the courts, the Anti Corruption Commission, the National Commission on Human Rights and others. All these parties have agreed with the 15 donors on a Joint Statement of Intent to be used as a framework for regular reviews, reporting and evaluations.

The GJLOS Reform started with a preparatory phase in 2004–05, and now has a programme planned up to 2009. Sweden’s contribution to the programme was SEK 27 million for the preparatory phase and is SEK 95 million for the current period.

Sida is the lead donor. On the Kenyan side, the programme is coordinated by the Ministry of Justice and Constitutional Affairs, MJCA. A special unit has been set up by the programme to help support the coordination. This unit is called the Programme Coordination Office (PCO), and is headed by an international consultant. The staff consists of Kenyan consultants as well as some civil servants that are seconded by MJCA.

The PCO could be perceived as a Project Implementation Unit (PIU) which should be avoided according to the Paris Declaration. A PIU always involves some kind of parallel structure, which risks undermining the existing structure instead of strengthening it. In discussions, people sometimes characterise PIUs as lethal medicine for development programmes.

Setting up the PCO in this programme, however, was justified, as it was deemed necessary for the initial phase of the programme. It was decided that the PCO should be phased out by June 2007. Whether this will really happen is doubtful, as the PCO currently is growing, with more staff being hired.

Others argue that the PCO is a “necessary engine” for the programme. With so many departments and agencies involved, the process would be too slow if there were no unit in place with capacity to make these moves. We thus have a dilemma here: With the PCO, there will be faster progress and better coordination, at least in the initial phases. Without the PCO, progress, if any, would be slower, but any small improvements would most likely be permanent.

The journey of rethinking has just started...

Issues raised in the discussions

The four cases gave rise to different questions of principle, among them the following.

- *Ownership*

What can we do to make ownership something real? Our role should be to do our best to strengthen the cooperation partner to work with the donor and lead the harmonisation efforts. But what does this mean in practice?

There is a risk that the ownership issue, in practice, will mean that the donors gang up to force changes.

Who and what decides which donor is chosen as the lead donor?

We have a chicken and egg dilemma here: Capacity in order to generate ownership versus ownership initiatives to generate capacity. Another issue: The question of ownership is closely linked to attitudes towards partner countries. Are we prepared to accept their set of values? Are we prepared to change and if so, how much?

- *Control versus learning in capacity development*

We, as donors, have to “let go”. There are many examples:

- PFM Assessment should be rapid: Can Sida channel budget support through the country’s own system? Yes or No.
- Assessments should be more participatory, with methods for self-assessment encouraged.
- Risk assessments might be good if they lead to efforts for capacity development, but not if they give rise to more control!

- *The time issue. There is an impatience problem in the aid sector.*

Speed and performance versus long-term and sustainable results. Strong emphasis on showing results makes it difficult to work with reforms that are long-term. Thus, it is important to have well-defined, realistic, long-term objectives.

- *How do we handle the complexities of capacity development?*

The rapid and extensive turnover of civil servants and the sequencing of when to start a programme and when to work with capacity development are uncertain in a reform process. How should Sida deal with this?

- *Programme-based approaches are needed, but how much do we actually know of how to include capacity development in these reform programmes?*

There are different needs at different levels of a sector, the political levels as well as the lower levels. Consequently, there is a need to channel the support to all these different levels.

There should be more of joint learning among the donors about a country’s own systems and how they could be improved. How should this be organised?

- *What kind of compromises are acceptable from a Swedish perspective?*

In a dialogue (both with partner countries and other donors and international organisations) what can and should Sida and Sweden accept? Some think it is better to influence from the inside than to withdraw from a politically difficult environment.

In situations like in the Kenyan water sector, what can we accept of other donors’ ideas and methods. For example, can we accept Dani-da’s view on “programme advisors” for the common good?

Alliances with other donors are needed, but have to be well chosen.

- *There is a big gap between policy declarations and the reality in the field.*

The discussions showed that there are no clear guidelines and policies in many instances of how Sida should act. Embassy staff need programme-oriented but visionary support and guidelines. How can such support be provided?

- *Quality Assurance Groups (cf Mozambique case) are a good idea and should be implemented in other programmes as well.*

- *Using local systems in order to strengthen them in the process* is an important aspect of capacity development. However, there is a dilemma. What do we do when the local systems are too weak? How do we balance

and complement the systems? It is important to have criteria and analysis for what is “good enough”. It is important to have a timetable for how and when to move from PIU to local systems. One problem, however, is that PIUs have no interest in dismantling themselves.

- *Is the Kenyan Programme Coordination Office really a PIU in the negative sense?*

In this kind of programme, with so many ministries and agencies involved, some kind of “engine for coordination” is needed.

The need for this office is perhaps an indication that some kind of coordinating body between these ministries is needed even for the future. Perhaps, the PCO should be transformed into this kind of body, and given a new more permanent, mandate. An important precondition for this, of course, is that national capacity is used in the PCO.

Important, but difficult

In a comment to the four cases presented from Nicaragua, Mozambique and Kenya, *Ingemar Gustafsson* noted that all these questions raised are typical of today’s situation. In fact, there is no good practice available. Our previous experience from many years of project support cannot really guide us in this new landscape of development cooperation.

This has been clearly shown in the work done for the Nordic Plus Group of Donors on coordinated capacity development efforts (cf ref. no 10 above). This group has noted the lack of good practices and the importance of arriving at a common understanding of needs and strategies not only in Paris but also in each programme or project.

The same view is described in the new DAC paper: *It is the contrast between the increasingly recognised importance of capacity and the difficulty of achieving it that has stimulated the preparation of this paper.*

So, it is obvious that we have only started what might be described an important journey of rethinking our present work practises.

4 Learning from Evaluations

What do we really know?

In his introduction to the session, *Ingemar Gustafsson* observed that capacity development matters have been on the aid agenda from the very beginning. When Sida staff discussed capacity development in the 1970s, they felt that this area was crucial, and probably was the key to development. Although the theme is not new, however, today's context is different.

Over the years, much effort has been expended, and great experience has been gained. But when we try to analyse this experience, it is unfortunately not very easy to show hard evidence of what has worked and what has not.

This does not mean that the capacity development efforts in the past have been meaningless; on the contrary, much has worked well. But the fact remains that Sida's experience is not well documented. Instead, the experience is stored as tacit knowledge among staff members.

Study on Capacity, Change and Performance

Objectives:

- To improve understanding of:
 - the meaning/dimensions of capacity
 - the complex connections between capacity and performance
 - how organisations/systems develop the capacity to perform
- To offer insights/good practice on how to facilitate the capacity development process
- To identify implications and potential options for policy making

Outcome:

- 15 cases finished, 3 in draft.
- Extensive bibliography (partially annotated).
- 5 thematic/reflection papers (legitimacy, systems, networks, capacity, monitoring and evaluation).
- Interim report.
- Several workshops: systems, networks, monitoring and evaluation.
- E-communications.

For example, when Sida maintains that twinning is an effective method for organisational development, we are quite sure that we are right. But if some other cooperation partner instead advocates recruiting individual experts as advisors to the management of the organisation to be supported, what kind of convincing evidence can we present for our position?

On the international arena, the situation is somewhat different. Several studies have been carried out, providing data on the experience gained. A most interesting study called "Capacity, Change and Performance" was presented at the seminar by the coordinator, *Heather Baser*.

The study was launched after an initiative from GOVNET, the Governance Network of the OECD, in 2002. See the objectives in the box.

The focus of the study has been on increasing our understanding of capacity development as an endogenous process. In other words, how organisations and

systems develop the capacity to perform. This means that the study has not focused on the impact of donors' different inputs. However, an interesting key research question has been: "What can outsiders do to encourage the development of capacity and enhance performance?" In this context, donors are viewed as one group of outsiders, but there are others as well.

The study has provided input for the new DAC paper on capacity development. The final report of the study will be published later this year, and will pursue some of these issues in greater detail in order to explain capacity and to understand the connection between capacity, change and performance.

Emerging patterns in the study "Capacity, Change and Performance"

Summary of the Interim Report, April 2005

There have been 18 case studies, covering a wide variety of situations from small organisations to networks and broad systems. They include different regions (Africa, Caribbean, the Pacific, Latin America and Asia), and focus mainly on the public sector and civil society, but also discuss some private sector issues. Each of the cases focuses on a key issue, such as organisational change and social change on the community level. In addition to the cases, there are reflection papers and bibliographies on the central themes. In Appendix 3 a list of the reports is included.

What answers result from analysing these cases? The findings will be reported later this year, but there are some emerging patterns.

Dependency on the broader context

The researchers are struck by the reach and intrusion of a complex range of contextual factors that have shaped the evolution of capacity. All the organisations studied in these cases were part of larger systems that have influenced their behaviour in both positive and negative ways. Part of the challenge for the parties was to 'see' these contextual factors at work and to respond strategically.

Political and governance structures have exerted a profound influence in most cases. For instance, it is instructive to compare the public sector reform programme in Tanzania with those in Pakistan and Papua New Guinea. In the different contexts, approaches to capacity development need to be crafted in different ways.

In some of the cases, we can see the impact of factors such as the 'brain drain', HIV/AIDS and civil strife. Also in evidence were the effects of globalisation and the arrival of the information technology revolution.

Inter-organisational systems and networks

Capacity issues arising from the complex contextual structures contain within them a series of challenges, including incentive structures, shared leadership and decision making, the crafting of capacity strategies, conflict and mandate management, competition versus collaboration, scaling up, and others.

In some cases improved system capacity and performance helped to set off virtuous spirals that pulled along individual organisations.

Formal institutions – including laws, acts and regulations – mattered in many of the cases.

Networks that link individual organisations are becoming more pervasive in all sectors in many countries. A number of cases in the study fall directly into this category. Networks appear to offer a successful way to address the issue of scaling up capacity.

What change strategies have actually worked?

The researchers in the study are puzzled about the relative lack of attention being paid to change issues in development cooperation. In the private sector, an enormous literature and body of experience exists, much of which emphasises the difficulties and challenges involved in designing and managing programmes of intentional change. The high rate of

failure of change efforts in the private sector has long been accepted as normal and has led to intensified efforts to master it as a process. In development cooperation, many capacity analyses instead contain a good deal of prescription and advocacy, but tend to be short on understanding the dynamics of complex processes of change.

The 18 cases in the study provide a wealth of practical experience about capacity change. There are many lessons to be learned and many conclusions that can be drawn from the material. An analysis will be presented in the final report. Here just a few interesting aspects from the material.

- **The importance of positioning**

With “positioning” the researchers mean the entry point for the selected intervention and the strategy that underpins it. The cases contained a wide range of positioning strategies, some explicit and some not, some successful and some not.

- **Supply and demand**

Current thinking seems to favour ‘demand-side’ approaches. Yet, the evidence from the cases was mixed on the effectiveness of demand-side approaches.

- **Operating space**

An issue that appears in many of the cases is that of operating space, i.e. the degree of policy, operational and financial autonomy that allowed parties the freedom to invest in their own capacity development or to negotiate for support.

- **The value of legitimacy**

The legitimacy of an organisation within the system in which it operates both contributes to, and comes from, reputation and loyalty. Legitimacy, in turn, produces a range of other benefits that bear upon the capacity issue.

- **The role of leadership**

Committed leaders – and followers – were at the heart of all the examples of effective capacity development. Interestingly, these leaders had some particular qualities in common in relation to capacity development. Other strong leaders who focused on a variety of agendas other than capacity development frequently did more harm than good.

- **Approaches to human motivation**

Various patterns of incentives affected both organisational and individual behaviour in different ways. But there were also individuals in some of the cases that appeared to act against their own self-interest in pursuit of broader goals. Change appeared to happen the fastest, when the incentives and values supplemented and reinforced each other.

- **The importance of informal patterns of behaviour**

In some cases the researchers identified “two worlds of capacity”. Formal, ‘modern’ structures adopted from high-income settings had been overlaid on structures with deep indigenous roots and practices – but the modern structures had not replaced the older ones. In many cases, power and legitimacy came out of the informal and traditional rather than the modern. The change strategies that appeared most effective were able to operate well at both levels.

One overriding conclusion is that there is a wealth of experience of capacity development efforts to improve individual competence and/or organisational performance. In this respect, the questions are more how to compare this experience with Sida’s own practices, and how disseminate the findings among the staff members.

However, in the current changing landscape of development cooperation, more capacity development efforts are focused on changes on the national or sector levels involving systems of organisations and complex institutional frameworks. On these levels, not so much experience has

been gained, so far. Instead, researchers and evaluators are struggling to develop suitable frameworks for this purpose.

At the seminar, two presentations were held on this issue.

Evaluation of support for institutional development

Presentation by Gun Eriksson Skoog.

Why focus on institutions?

As we have discussed in earlier sessions, one of the implications of the Paris Declaration is to channel donor support in a coordinated way in order to assist reform efforts in various sectors. As emphasised in the DAC paper on capacity development, this means focusing on the *enabling environment*. The concept of an enabling environment is not so well defined (cf box on p. 16 above), but certainly include institutional frameworks. The box in this section uses Sida's definition of "institutions" and "institutional frameworks."

There is now a broad consensus that institutions in terms of formal and informal rules play a critical role for poverty reduction. Consequently, supporting institutional development is becoming an increasingly strategic issue for donors. This is really the major starting point for the evaluation theme on institutions, which was launched in 2004 by Sida's Department for Evaluation and Internal Audit (UTV).

The primary purpose of the theme is to draw lessons from Sida's experience of support for institutional change. As a first step, an orientation and overview phase has been conducted in close cooperation with Sida's own operative departments and embassies. A series of reports have been produced, see Appendix 3.

The findings so far

One observation, in essence, is that it is very easy to identify and to get an overall picture of what kind of institutions/rules

Sida support aims at developing and reforming. In fact, we find them in virtually all sectors. There are plenty of Sida contributions of this kind.

However, it is more difficult to get a picture of how Sida goes about providing this support. There is a gap between Sida's substantial and deliberate support for institutional development on the one hand, and the uncertainty or lack of awareness of what Sida does and why, on the other hand. Observed ways of supporting seem to reflect implicit assumptions rather than strategic choices and be determined by considerations other than conscious ones.

Rules and institutional frameworks

Institutions are defined as formal and informal rules for social interaction. They prescribe the behaviour of parties in recurrent situations of interaction with other parties. Institutions are to be distinguished from *organisations*, which are parties. Institutions can be regarded as the "rules of the game" whereas organisations and individuals may be regarded as the "players of the game".

Formal rules are codified in written form, for example laws, regulations, statutes etc. *Informal rules* are often implicit but are still respected and adhered to, for example working routines, social codes of conduct, customs etc. There are different types of rules for different kinds of activities, for instance economic, political, administrative, judicial and socio-cultural rules. Rules are not effective unless they are accepted, observed and maintained by the people and organisations concerned – hence what matters is "rules in use", i.e. the rules that are actually applied in practice.

An *Institutional framework* is the set-up of rules within which we interact. Institutions/rules are usually structured hierarchically: rules at higher levels regulate rules at lower levels. Institutions are also related to each other in such a way that one rule takes over where other rules cease to apply. In other words the rules complement one another in the institutional framework – and this applies to both formal and informal rules.

The relationship between rules and parties is a dual one. First and foremost, the institutional framework prescribes how parties (organisations and individuals) interact with one another. The institutional framework thereby contributes to shaping incentive and reward systems for the behaviour of individuals and organisations, and thereby determines many of the outcomes in society. On the other hand, the institutional framework is continuously changed by the parties – the rules are created, adapted and developed by individuals and organisations, by design or unintentionally.

Sida lacks systematic ways for dealing with the characteristics of institutional development. In particular, the factors that render institutional development particularly difficult are neglected. One such factor is the reality that institutions are very much embedded in a country's specific historical, social and cultural context.

While support for institutional development often aims at changing rules at the systems level, there is a tendency to narrowly address change at lower levels – within organisations or even at the individual level. Existing approaches tend to focus on the latter level, while largely disregarding higher levels and thus the institutional context of organisations and individuals. Other elements of this approach are partial in that they concern the initiation of support for reform, but not its continuation. There seems to be no explicit, conscious or systematic way of dealing with the dynamic process of institutional change at the systems level.

What is surprising is the lack of awareness of these difficulties. Sida has often acted as if identifying the need for change is sufficient. The question of how the support should best be provided has in many cases not been attended to.

Process and complexity

Even if Sida lacks methods to deal with the specific characteristics of institutional development, it possesses abundant experience. In the orientation and overview phase of the study referred to above, we have tried to gather the lessons learned and intend to use them as a basis for the evaluation in the next phase of the work.

When gathering the lessons learned, there are basically two overall characteristics of institutional development that were identified: process and complexity.

The *process* of institutional change is dynamic, gradual and incremental. It is constituted by a sequence of events that evolves over time. It is not linear, but instead develops in stages depending, in part, on consequences of earlier stages. As this sequence of events is not easy to foresee, we, as cooperating partners, must be willing to implement our support under a great deal of uncertainty. This is really a challenge to donors,

The other basic characteristic is the *complexity* of institutional change. There is a multitude of factors that influences the process, which of course is a major reason why the process is slow and difficult to plan or foresee.

We are now working with these characteristics of institutional change in order to further develop a framework that we hope will guide us in our further work regarding the evaluation theme. We think, too, that such a framework for institutional analysis may be useful for Sida staff.

Focus on the endogenous process

Presentation by Heather Baser and Peter Morgan

Capacity a kind of a stepchild

Capacity is such a strange concept. It does not fit well into a system of bureaucratic control. So it has always been a kind of a stepchild in the development agencies. Although it is acknowledged to be important, it is not deemed important enough to make the agencies change their procedures to deal with it in a serious way.

There is also this question of theory versus practice. In fact, capacity is under-conceptualised. We haven't really understood much about its

deeper dynamics. And yet, while we try to learn more, we always have to answer the “so what?” question. “Please, I have only 5 minutes, tell me the practical implications of your findings.”

Choice of perspective

Different perspectives could be used in capacity development. Each of them can be useful, but no single one explains the whole thing. So, depending on the perspective you have chosen, you are able to deal with some issues but not all. This means that your choice of perspective always make you blind to some of the issues involved that might be very important.

Some years ago, there was an overall thinking that *policy* was the decisive thing. “If we only can get the policies right...” That was seen as the main issue for development.

However, now we have switched to *results* in development. Donors are now obsessed with the issue of results. With this obsession comes a whole set of thoughts, telling us that result is the goal, programming is necessary to achieve these results, capacity is a means to an end, ... We are talking of capacity in terms of results-based management. Consequently we have developed a set of tools based on ideas in this perspective, among others the logframe.

Today you can hear knowledgeable people saying that this results-oriented perspective is the only way to look at capacity development. But fortunately, they are wrong. There are other perspectives as well.

Aid means helping the countries to develop capabilities to do what they want to do. Our role as cooperation partners is to help equip them and unleash their own resources. Then they will be able to make their own choices, which is ultimately the purpose of any aid programme.

Consequently capacity as *potential* becomes the important thing. The performance is merely the action arena where this deeper process takes place. This means that capacity becomes an end in itself, and the whole issue of capacity development becomes different than it is under the results-oriented approach.

Four core capacities

When analysing the cases, we have identified four types of capacities that must be present in the organisations, at least in some measure, for people to be able to do their work. At the same time these capacities reflect the assumptions and values of different philosophies of development and public management. They are separate but interdependent.

The four types are:

- *The ability and willingness to act in some sort of coherent way.*
All of us have been in situations where the organisation or system did not want to do something. But to have capacity you have to have some commitment, some intent, some volition. This is an important dimension.
- *The ability to perform.*
This is the type of capacity that we normally talk about.
- *The ability to relate and negotiate in order to create operating space and legitimacy.*
The importance of this capacity appeared time and again in the cases, with profound implications on what people in the organisations actually did. For everyone it is important to achieve and maintain operating space, to protect oneself. Particularly in turbulent and/or politicised environments, this is a crucial capability.

- *The ability to renew and adapt to a changing environment.*
This is a less instrumental, more process-oriented capability, which stresses the emergence of inner human and organisational qualities such as resourcefulness, identity, resilience, confidence, innovation, ability to adapt, imagination, aspiration and even spirituality. Capacity from this perspective is crucial for the organisation or system to create its own identity, to master change and self-renewal.

What we have seen from the cases is that many organisations don't develop these capacities in a balanced way. This creates problems, which are difficult for the organisations and their partners to handle. For instance, one organisation had excellent professional skills, but the staff members were not able to talk to each other. To create awareness of this kind of imbalances is of course important for any discussion about capacity development.

The established techniques are not valid anymore

We talk today of a changing landscape of development cooperation. There is an increased complexity to deal with; interventions are more often on a system's level; donors have to coordinate their support in different programme-based approaches, and so on.

In view of this new situation, there is one conclusion from the study that is particularly important. It seems as if we have reached the end of line with the techniques we have used for some time. Methods – such as the LFA and others – have been successful, at least sometimes, in results-oriented interventions on project level. But these techniques are not working for us in this new landscape. They will certainly not be working for us in the future.

Instead our conclusion is that *systems thinking*¹⁵ offers opportunities for the development agencies. We have seen in the cases that capacity development cannot be engineered through the delivery of external inputs. The prevailing project-based approaches have failed to acknowledge the importance of system dynamics and the interrelationships between organisations. Interventions need to be flexible and able to adapt to future unforeseeable, system behaviour. This means that systems thinking can be used as an explanatory analytical tool, both to understand the context of interventions, and to identify factors that facilitate or frustrate the process.

Monitoring and evaluation

We have been struck in our research by the seemingly modest contribution of monitoring systems to enhance the capacity development dimension. Therefore, an exploratory workshop was held in March with participants from different agencies and organisations. It was apparent at this workshop that the current focus on capacity issues has created a pressure on the agencies that they should be able to show results. And equally apparent was the fact that all the organisations were struggling with how to do this. There was no one who could present a good practice on monitoring and evaluation.

An important issue is about accountability versus learning. Today, most monitoring systems are designed by funding agencies to address their own accountability needs, i.e. to show that the activities have been carried out and results were achieved. Many seem disconnected from local learning and knowledge systems.

¹⁵ For more information on systems thinking, see: "The Idea and Practice of Systems Thinking and their Relevance for Capacity Development", by Peter Morgan, ECDPM, 2005. Available at <www.ecdpm.org>.

However, evaluations have the potential of providing learning opportunities, for the cooperation partners involved. The most valuable techniques for this is probably the participatory evaluations, for instance methods for self-assessment. But these methods are very seldom used by agencies. Instead, they seem to be quite common among NGOs. Thus, one conclusion is that, in this respect the agencies perhaps have something to learn from the NGOs.

Another issue relates to who decides what is considered as a success or a failure. The Mozambican case that was presented earlier provides an interesting illustration of this. Against what standards should the achievements in the project be assessed? In the Mozambican case, IMF judged the achievements not good enough. But what standards should be used, and by whom?

Something that makes monitoring and evaluation difficult is that capacity relates to issues with little specificity or visibility, such as legitimacy, 'positioning', empowerment, relationships (social, personal, professional), trust, dialogue, protecting space, volition, identity. These are dimensions that are difficult – and expensive – to measure.

The issue is to agree on a relevant framework

Concluding comments by Ingemar Gustafsson

It is obvious that we are now in an exploratory situation in respect of monitoring and evaluation for capacity development efforts as part of programme-based approaches. We are looking for frameworks and concrete experience rather than seeking to offer solutions.

A major question is whether there is anything different about capacity issues, which calls for a special approach to monitoring and evaluation? The experience hitherto is that any evaluation of capacity development has to be based on an understanding of the relationship between capacity and performance and must rest upon some concept about change and change processes. Once this has been agreed, there is a broad range of tools for the analysis, of organisations and how they change and perform. So, the challenge is not to invent new techniques and tools. These exist. The issue is to agree on frameworks and approaches for monitoring and evaluation that fit our objectives and needs.

5 In light of the Swedish Policy for Global Development

At the Core of Development Cooperation

How is capacity development dealt with in the new over-arching policy document for Swedish development cooperation, the Swedish policy for global development (PGD)¹⁶. Ahead of the seminar a memorandum (see below) with a condensed reply to this question was compiled by *Ann Stödberg*.

Capacity Development in the Swedish Policy for Global Development (PGD)

By Ann Stödberg

The overall objective of the policy for global development (PGD) is “to contribute to equitable and sustainable global development”. Sustainable development is given a broad definition and includes social, economic and environmental sustainability. This contains an implicit reference to the issue of capacity, as sustainability can only be achieved if there is capacity to develop and manage the necessary systems and institutions. In development cooperation, capacity has long been seen as a pre-condition for sustainability.

In the following, only capacity development in the chapter on development cooperation in Policy for Global Development will be discussed.

1. The introductory section of the chapter on **International Development Cooperation** declares that:

“Contributions to increased knowledge and the development of sustainable institutions are at the core of development cooperation. The aim is to enable poor people and countries to take control of their own development... Sweden can contribute to this... Cooperation can take the form of support for central government administration, universities, the private sector and popular institutions and movements.” (page 58).

The PGD thus affirms that capacity development is the core of development cooperation. This is well in line with the experience that Sida has gained over the years as most support to contributions and projects has included components that have dealt with capacity development. Even though support for capacity development has not been an integral part of a project from the outset, analysis of the conditions for the implementation and sustainability of the project has often demonstrated a need for capacity development. This may take many forms, from human resource development of individuals to system development and everything in between or in combination. The forms for this support have also varied widely over the history of development cooperation, but, as is stated in the PGD, the actual need for knowledge and sustainable institutions has been and remains a core issue.

¹⁶ “Shared Responsibility – Sweden’s Policy for Global Development”. Government Bill 2002/03:122.

The PGD does not develop the discussion of capacity development in a concerted way. There is, however, wording under various headings that refers to the issue of capacity and that may be worth looking at more closely.

2. Under the heading *Different Situations Require Different Forms of Development Cooperation Agreements, The Design of Development Agreements* it is stated that Swedish development cooperation must be based on the specific conditions, needs and interests in partner countries. It is also stated that all international efforts should be based on the developing countries own strategies for poverty reduction. The following is added: *“Support should continue to be given to enhancing the developing countries’ capacity to further develop and improve these strategies.”* (page 61).

Elsewhere there is a further reference to the same issue:

“... one important element of development cooperation is therefore to enhance the countries’ own capacity for improving their (national poverty reduction) strategies. This includes support for central government administration, national parliaments and civil society” (page 64).

This gives Swedish development cooperation a role in enhancing the capacity of partner countries in this strategy work. As the emphasis is placed on partner country ownership of these processes, this role must be interpreted as meaning that Swedish development cooperation is to provide assistance if the partner country (including its national parliament and civil society) so wishes. A natural point of entry is therefore for Sweden to present an offer of such support in the dialogue with the partner country. In concrete terms, this can involve funding of the background studies that are needed and/or making it possible for the representatives of civil society to take part in strategy work. Support to the parliament or to parliamentarians for their participation in this work is another possibility. Sida’s position should be to support initiatives for broad participation and an active and open discussion of issues that lead on to the strategy. In this context there could also be a role for cooperation between non-governmental organisations (NGOs) in Sweden and the corresponding organisations in the civil society of the partner country. However, cooperation of this kind would have to be developed in a demand-driven way. It is also important to remember the participation of poor people in general, not just those who are represented by civil society organisations. An even more important issue, which is not, however, dealt with in the PGD, is the need for support for the implementation of the strategy. It is the implementation capacity that is crucial for the importance of a poverty reduction strategy (PRS) as an instrument for reducing poverty.

Moreover, the PGD stresses that long-term Swedish cooperation must be based on agreement with partner countries concerning the main features of an effective poverty reduction policy. In relation to this the Bill affirms that:

“Support should continue to be given for learning and the development of knowledge on the basis of the developing countries’ own efforts” (page 61).

This establishes the link that one main feature of an effective poverty reduction strategy should be knowledge development on the partner country’s own conditions. There is however, no further definition of what is meant by knowledge development here. However, it ought to include continued investments in education systems, at any rate, but might also refer to research and capacity development in the broadest sense, on condition that this is a priority in the country’s poverty reduction strategy. Problems would arise if there was no agreement between Sweden and the partner country concerning the necessary main features of an effective poverty reduction policy, as Swedish cooperation has to build on the country’s own endeavours. In the dialogue with the partner country, together with other donors, it appears to be of the utmost strategic importance to put forward what is now the internationally accepted perspective in DAC⁴ concerning knowledge and capacity in the process leading to a poverty reduction strategy.

3. In the section *Increasing the Effectiveness of Development Cooperation*

This section discusses what concrete contributions Sweden can make to increase the effectiveness of international development cooperation. The methods mentioned (for donors)

are untying aid, improving coordination, simplifying procedures and more careful monitoring and evaluation. It is also pointed out that partner countries have to be responsible for coordination between bilateral and multilateral donors.

In this context Swedish development cooperation is given a task: *“Sweden should support and enhance the partner countries’ capacity for organising coordination”* (page 71). This call for action can be compared with the previous position that Sweden must to support capacity development for better poverty reduction strategies. Sweden can offer such direct support on condition that the partner country wants to receive Swedish support for this. Another form, which has been tested successfully in Tanzania, for instance, is when Sweden contributes funding (together with other donors) of some posts in the finance ministry’s division for external resources, which is specifically responsible for donor coordination. Support forms of this kind have the potential to become “good practice” models.

There is further discussion of ownership for better coordination and it is pointed out that *“Ideally, the developing country itself should take the lead in any coordination that is required, which will involve a transition to more generalised support for sectors and programmes.”* Then comes an important reference to capacity issues:

“For such a transition to be possible there must be clearly formulated national plans for these activities and the capacity to implement them. The greater the capacity to implement and report on activities that a country has, the greater the proportion of support that can be channelled to the country in the form of sectoral programme support or budgetary support” (page 73).

The Paris Meeting had not yet taken place when the PGD was written, but its Swedish authors had sufficient foresight to identify this issue. The weakness of this text is that it does not develop the issue and it does not talk about the necessity of building capacity either. The text is more of a simple statement en passant. Two years later the capacity issue was to dominate the summit in Paris at which the Aid Effectiveness Agenda was adopted. It was during the course of the Paris Meeting itself that capacity issues became the focus of international interest in translating the value words “ownership”, “harmonisation” and “alignment” into practical action. Capacity development must occupy the requisite central role in order to implement the principles of the Paris Agenda. According to the undertakings made by the international community, including Sweden, donors must seek to increase their share of aid in development cooperation to PBA (programme-based approaches, including general budget support). This means that the capacity development issue has become *crucial* to the possibilities for both donors and partner countries to implement the Paris Agenda.

The PGD is very clear on one point, and this relates to untying aid:

“Goods and services in connection with development cooperation should be procured in open competition. Cooperation partners should not be tied to purchasing from Swedish enterprises. This is a question of effectiveness. Generally speaking, tying aid increases the costs for the partner country...with a view to efficient use of resources, therefore, all international development cooperation should be untied. (This) would open up major opportunities for Swedish enterprises by increasing market access”... There is also a warning about the danger of the unilateral untying of aid and the policy document notes that untying must be done together with other EU Member States and the OECD. *“Unilateral untying by individual countries is liable to distort competition, which is not the purpose of untying aid”* (page 72).

This wording about untying has implications for Swedish parties in development cooperation. When the principle of untying has matured further in the EU and OECD (at present it is only a recommendation from OECD) there will be a change in the conditions under which different national resource bases participate in international development cooperation. This will both result in greater competition between them and also offer greater opportunities for access to new markets. (See also under part 6, below)

4. Under Results-Based Management and Learning

The PGD affirms: *“The developing countries’ own efforts when it comes to monitoring results should be increased. Wherever possible, this should therefore be done in close cooperation*

with the countries concerned and be left to the countries' own auditing bodies" (page 73). and then: "The developing countries' own evaluation capacity should be increased" (page 81).

The capacity for both implementation and monitoring are interrelated. Good implementation requires reliable systems for monitoring and following up results. Swedish support for capacity development must take account of these two aspects that are two sides of the same coin.

5. Otherwise capacity development is mentioned in sections dealing with special forms for development cooperation. For instance, this applies to **Humanitarian Operations**, where it is pointed out that:

"Development efforts can play an important part in building domestic preparedness and capacity for preventing, managing and resolving crises" (page 65).

Sida's new *Policy for Peace and Security* (2005) clearly underlines that ownership and capacity for change in these processes belong to local, national and regional parties. This means that the views, participation and influence of poor people must be secured. Civil society groups have an important role to play. The policy emphasises that Sida can and should support local capacity development for peace, as has also been declared in special communications from the Government (*Preventing Armed Conflict; Swedish Policy for the 21st Century, Govt Comm. 2000/01:2*).

One "special case" is **Multilateral Agencies**, where the PGD says:

"The developing countries' influence in the international financial institutions needs to be enhanced. Special measures should be taken to increase these countries' capacity and capability to have a stronger voice in these fora" (page 67).

Responsiveness from the Swedish party to the dialogue (embassy/field office) to wishes concerning such support is important; but the question of whether there should be specific Swedish competence for capacity enhancement in this particular respect has not been investigated. There is some experience of support to trade ministries in partner countries in order to enhance capacity ahead of WTO negotiations, for instance, which is not, however, covered by the above text that refers to the World Bank, the IMF and the regional banks.

6. Finally there are texts in the section on **Parties in International Development Cooperation** that touch on the capacity development issue even though it is not mentioned directly:

The PGD identifies areas and forms for cooperation that are related to capacity and makes recommendations, such as:

Public Sector Parties: *"Twinning arrangements have attracted renewed attention... cooperation between Swedish local and municipal authorities, county councils, county administrative boards and their counterparts... this type of cooperation should be expanded and deepened" (page 75).*

Non-governmental Organisations: *"Cooperation with NGOs, at both national and international level, should be increased... a diversity of organisations contributes to the pluralism that is important in all democratic societies" (page 76).*

The Private Sector and the Trade Union Movement: *"Support should be provided for developing countries' efforts to establish regulatory frameworks and institutions that promote private sector enterprise and investment... experience and knowledge in Sweden's business and trade union sectors should be utilized in development cooperation" (page 77).*

The PGD also affirms that:

"There is no conflict between the developing countries' needs and priorities and broad utilization of the Swedish resource base" (page 78).

As the PGD was written three years before the Paris Declaration was formulated there is wording in the PGD that can be felt to be unclear or partly contradictory in relation to the Paris Agenda. It is a challenge for Sida, within the framework of harmonisation and adjustment to the priorities and systems of partner countries, to develop forms for how capacity

development can be joined up with the task of utilising experience and knowledge in the Swedish resource base for this purpose.

The whole of the PGD is a call to all Swedish parties to contribute to its implementation. The question is under what conditions this will happen. International competition, FÖLJSAM agreements, contract-financed technical cooperation (CFTC) and International Training Programmes are examples of the different frameworks in existence today. No doubt some of these frameworks will need to change and evolve in the future in order to keep pace with developments.

Summing up, we can note that the PGD was adopted before the Paris Agenda was drawn up. However, the PGD provides strong support for the principles of the Paris Agenda. It is therefore natural to see the Paris Agenda as the framework for continued discussions on capacity development and Swedish participation.

Knowledge and sustainable institutions

Presentation by Ann Stödberg.

There is a central message in the PGD that is often worth quoting when talking about the direction of Swedish support for capacity development. *Contributions to increased knowledge and the development of sustainable institutions are at the core of development cooperation.*

Earlier when we talked about the implications of the Paris Declaration for capacity development, the main focus was on enhancing countries' systems for delivering social services of importance for poverty reduction, such as health care or water supply. And the PGD also talks about these matters, but in addition it talks about increased knowledge as a central value and as being at the core of development cooperation. If poor people are to be able to take charge of their own development they need access to knowledge. This presupposes human resources development – investment in education systems and research in these countries. This is a dimension of capacity development that we must not forget.

One reason why this fundamental idea has been toned down in development assistance for a number of years is related to the concept “transfer of knowledge” (TOK), which was advocated vigorously by the World Bank starting in the mid-1980s. The idea was that knowledge is lacking in developing countries, and can be found in the West instead. The task of aid should therefore be to transfer knowledge from the developed part of the world to the undeveloped world. Therefore the thing to do was to focus on international experts (TA) in the aid projects and to establish systems of grants for students. But, it was vigorously argued, universities should not be built up in developing countries. Basic education was all right, but the solution for higher education was to travel to universities in the United States and Europe, where the knowledge was available.

Today this idea about “transfer of knowledge” feels completely out of date. For a number of years we have emphasised support for the development of endogenous knowledge instead. Within Sida it is mainly SAREC that has pushed this issue firmly for a long time (cf box below). Sida's policy for capacity development (2000) has that kind of view of knowledge as one of its bases. The same view of knowledge characterises the new DAC paper on capacity development, and today the World Bank has also adopted this thinking.

So the PGD highlights “increased knowledge and sustainable institutions” as a central theme, but, on the other hand, there is no concerted, in-depth discussion on capacity development in the Government Bill. Different aspects of capacity development are taken up in different sections (see the background paper above).

The PGD was written in 2002, but it has the same basic view of national ownership, alignment and harmonisation as was expressed in the Paris declaration three years later. This also applies to the issue of untangling aid.

For Sida, this is a challenge. We have to reconsider our ways of working, ingrained opinions, routines and procedures... “Business as usual” no longer applies.

What is most relevant if we want to “to create the conditions for ...”?

Issues raised in the discussion

The role of development assistance is to help to enable countries to solve various development problems on their own. This is an underlying idea that has long governed Swedish development assistance and the position is confirmed in the PGD.

But what is actually the best way of enabling partner countries to assume national ownership of poverty reduction in their countries? One pre-condition for national ownership is that there are people in different areas of society who have the competence needed to cope with the analytical requirements in the work of ministries, and who can assert the country’s own development perspective in a dialogue with donors. Analytical capacity of this kind presupposes people with higher education. Currently there are major shortcomings in partner countries’ own capacity for this. So should development cooperation increase such support as a logical consequence of the striving for national ownership? See the contribution to the discussion in the box on the right.

The PGD says that the overall purpose of action for knowledge development is to enable poor people to take charge of their own development. The focus should be on empowerment.

Swedish development cooperation builds on the support of the Swedish civil society and has always had a strong element of support to civil society in partner countries. Increasingly, Swedish NGOs have seen it as their main task to increase the capacity of their cooperation partners. They have a strong advocacy role but their role is also to deliver services of different kinds. Many seek to balance their advocacy role with the delivery of

The research capacity of poor countries has been obstructed systematically

Contribution to the discussion by Anna-Maria Oltorp.

In 1990 when the world community agreed on the Declaration of “Education for All” (EFA) this entailed a powerful commitment to basic education for all children. This commitment has since been confirmed in the Millennium Development Goals. But, at the same time, EFA meant a deliberate decision **not** to support higher education and research in poor countries. Over the past 15 years, support for universities and higher education institutions has also been reduced systematically.

Sida’s Department for Research Cooperation (SAREC) has been a donor that has nevertheless sought to support these countries own efforts to develop capacity for research. The ambition has been for there to be at least one university with high-class research capacity in each partner country. These are very long-term programmes that involve everything from basic language skills, masters and doctoral programmes, libraries and IT capacity, to a functioning financial administration.

Of course, other donors are also active, but their support is almost exclusively for the implementation of specific research projects in priority areas, like gender or poverty, generally under the leadership of a research institution in the West. This may be good, but it is not enough. Support for the basic research that universities in developing countries conduct by themselves is a pre-condition for the accumulation of a critical mass of researchers at these countries’ own universities. This is then a pre-condition for the existence of an endogenous resource base to man the government administration and ministries in the way that is needed if these countries are to be able to exercise the national ownership sought in the Paris Declaration.

The donor community has neglected this support over the past 20-year period. This neglect should not continue; instead there is reason to increase this kind of support in the coming years.

tangible results and services. The purposes of capacity development in relation to the civil society are to increase the long-term capacity of organisations to survive and express themselves, and to increase their ability to deliver services of different kinds. In the final analysis however, the purpose of support to civil society is to enable groups of poor people to make themselves heard and gain empowerment.

Thus, in order to enhance national ownership for poverty reduction, a good strategy might be to increase the support to civil society in our partner countries.

The Swedish resource base and the role of Swedish parties

A “position paper” is underway

Presentation by Ulrika Lång.

Interpretations of the PGD differ particularly regarding the role of Swedish parties. Some at Sida and among the group of Swedish parties involved view the PGD to mean that more Swedish parties should be involved in development cooperation. That is not the case. The PGD means that more Swedish parties have to be involved in work for global development, which is not the same as development cooperation. The PGD does not entail a higher level of tied aid but rather states that cooperation with Swedish parties must be “developed further and enhanced”.

There is a range of views at Sida about how cooperation with Swedish parties functions. One extreme sees Swedish parties are creating problems, while the other extreme views cooperating with Swedish parties as a goal in its own right.

To enable us to establish a common view at Sida on the interpretation of the PGD and on our task of utilising the Swedish resource base a position paper is being drafted on Sida’s cooperation with Swedish parties¹⁷. The position paper is also intended to contribute to a more consistent approach by Sida Departments in relation to Swedish parties.

Five core ideas are raised in the position paper.

- *The objective of development cooperation* governs all cooperation financed from the development cooperation appropriation, including cooperation with Swedish parties. While appearing self-evident, this is not always the case. For instance, interpretations that assume that Sida has to contribute to the objectives of other policy areas (concerning trade, for instance) are sometimes advanced.
- *Demand in partner countries should govern what contributions can obtain funding.* Cooperation with Swedish parties must not be supply-driven. In other words, Sida must not go looking for contracts that suit certain Swedish parties.
- *Sida’s role is like* a central government agency for bilateral development cooperation. We do not want the development cooperation appropriation to be split up among a series of parties in Swedish society. That would be an obstacle to partner country ownership and to implementation of the Paris Declaration. As part of our role we are given the task, according to our statutory instructions, of utilising the knowledge and experience that is available in the Swedish resource base.

¹⁷ Positionspapper om Sidas förhållningssätt till svenska aktörer inklusive grundläggande principer för bredare samarbete, Sida, beslut 2006-09-21 nr. 2006-004 831.

- *Synergies with other policy areas* must be sought, and this mainly means that we need to increase our dialogue and cooperation with parties from other policy areas.
- The position paper also takes up *principles for broader cooperation*, but this is a separate issue that will not be discussed here.

Today Sida benefits greatly from our extensive cooperation with Swedish parties, and we would not be able to implement our development cooperation without them. In all, 39 percent of Sida's appropriation for 2004 was channelled through Swedish government agencies (8 percentage points), NGOs (18 percentage points) or Swedish consulting companies (13 percentage points). Capacity development is the purpose of a large part of this cooperation. However, Sida has no statistics on the extent to which Swedish personnel participated in this work.

A total of some 1,500 Swedish parties are involved in these activities, and there are a host of examples of Swedish parties doing good work on capacity development in partner countries based on their specific professional skills. At the same time, however, there are deficiencies. In 2005, the Human Resources Department (PEO) produced an inventory¹⁸ of Swedish parties' needs of human resources development. The inventory builds on earlier studies and shows that there are mainly deficiencies concerning:

- *Capacity development.* There are sometimes deficiencies in the ability to work on capacity development and in understanding the roles it involves. In brief, the study can be said to show that something that the Swedish party sees as capacity development is not always viewed in the same way by the opposite party in the partner country, who may mainly see the Swedish party as a provider of funding or who views the issue as one of training at the individual level. This applies both to support through NGOs and consulting companies and to twinning arrangements between government agencies.
- *The poverty focus* also has deficiencies evident in all groups of parties according to the study, and there are also deficiencies concerning awareness of basic policy documents such as the PGD and the Sida document *Perspectives on Poverty*.¹⁹

Of course, we are dealing with a broad range, and there are also many Swedish parties that are very knowledgeable in these areas. One conclusion of the study is that there is a need for Sida to increase work on human resources development with Swedish parties. Support for learning by these parties can be provided in many different forms, not just through courses and seminars. Dialogue and mutual exchanges of experience can take place in networks, at working meetings, etc.

The objective of development cooperation and the question of a sharper poverty focus need to be linked clearly to capacity development so that Swedish parties are aware of the connections. One important dimension is related to the shift of focus in the PGD from poor countries and/or poor peoples" to "poor people". The rights perspective and the perspective of poor people on development also contribute to this change of focus. How does this impact on our work on capacity development? I

¹⁸ "Svenska aktörer i utvecklingssamarbetet: Behovet av kompetensutveckling och Sidas roll", "Swedish Parties in Development Cooperation: The Need for Human Resources Development and Sida's Role" (only available in Swedish), Agneta Rolfer, Sida (PEO), 1 June 2005.

¹⁹ "Perspectives on Poverty", Sida. 2002. Available at www.sida.se

think that one conclusion is that we should help to strengthen the social contract between the state and citizens, and in that context, the way we work on capacity development matters. We need to do so to ensure that the needs and interests of poor people influence the design of contributions for capacity development.

Now development assistance is undergoing a change. So what roles can Swedish parties have in future development assistance?

We at Sida need the Swedish resource base, and the PGD gives us a role in “further developing and enhancing” Swedish parties. They help to communicate Swedish values in development cooperation work and can work on long-term capacity development. Part of Swedish development assistance will continue to be channelled through Swedish parties. But there will be a change when Swedish support will increasingly be coordinated with that of other donors and when the share of programme support will increase. Even when aid is channelled through programme-based approaches there will be a need for efforts for capacity development. However, in order to be considered for contracts, Swedish parties will increasingly have to take direct contact with partner countries. They will also need to be better at linking up with the local resource base and building networks in partner countries. Sida can be of assistance in that process, mainly by informing the Swedish parties about this new development assistance landscape. It is up to Swedish parties to build up the knowledge they need on their own, but helping Swedish parties to be aware of about key development issues is also a task for us at Sida.

How do Swedish parties participate today? Examples from business cooperation

Presentation by Molly Lien.

The purpose of this presentation is to exemplify Sida’s current cooperation with Swedish parties based on a specific subject area, business development.

The purpose of Swedish support for business development is to contribute to sustainable and poverty-reducing growth in partner countries. The focus is on enabling poor people to participate in effective markets as economic parties. This thus involves both sharing in growth and creating it – being both consumers and producers.

Business development is not a “sector” in the traditional sense but is about an interaction between government, private parties and civil society. The target group is broad and includes self-supporting small farmers, microbusinesses, SMEs (i.e. small and medium size enterprises), and large companies. Both the formal and the informal sector are affected, and the fact is that a large part of Swedish support is targeted on parties in the informal sector.

This also means that the Swedish resource base that can be considered does not consist only of parties in the business sector. In addition to Swedish companies, the entities that Sida cooperates with include:

- industry organisations (such as chambers of commerce),
- government agencies (such as the Swedish Board of Customs),
- trade union organisations (for instance for contributions concerning labour market development),
- universities.

Contributions in this area mainly consist of project support, but coordinated programmes are starting to appear and they are built up as sector wide approaches, i.e. when several donors join forces with the partner country for a larger-scale programme. One such example is a programme called “Business Environment Strengthening for Tanzania”, BEST.

The box on the right gives examples of contributions in the form of project support. As indicated, Swedish parties sometimes participate, but by no means always do so. Capacity development is always included in these contributions, often as the focus, but sometimes to a limited degree, as in the case of contributions intended to mobilise private capital.

For example, in the area of trade, Sida has a clear mandate from the MFA to help increase the capacity of developing countries to participate in international trade negotiations. To this end we are cooperating with the National Board of Trade for support at policy level. But it is not always Swedish parties that participate in the implementation of concrete contributions for capacity development. Quite often it is international organisations that have been engaged with funding from Sida.

The same applies in the area of microfinance, where Sida has established a strong profile and is regarded as a knowledgeable and proactive donor at the global level. We have participated actively in developing thinking about microfinance. But Sida has used the Swedish resource base in this work only to a limited extent.

The opposite has applied to labour market development. For example, the LO-TCO Secretariat of International Trade Union Development Cooperation participates in the Labour Market Dialogue Programme along with the Confederation of Swedish Enterprise. The idea is that we have unique Swedish competence that we want to share. However, one has to be very cautious in order to avoid supply-driven approaches.

Start-South and Start-East are two programmes concerned with direct support for companies in partner countries. The focus is on technology transfer and capacity development. This still contains a lot of the TOK (transfer of knowledge) thinking. The starting point is that the Swedish party is assumed to have knowledge that it is relevant to communicate to a partner in the developing country.

Looking at this overview of the various forms of project support, it is worth thinking about what determines the way things turn out. What is it that governs our choice of party in these contributions? What choices does Sida make as a provider of funding, how and why?

Another question raised by this review is the actual extent of Sida’s responsibility when we engage a Swedish or international party for participation in a project or programme. It is important that the party engaged complies with the aim of the programme, and respects the underlying values, such as those concerning local ownership. How far does Sida’s responsibility for this extend, and how can we work to secure this?

Examples of project support intended to contribute to business development

- Institutional development, such as twinning between Riksbanken (the Swedish central bank) and the Central Bank in Uganda.
- Small business development, such as support for SEMA (Small Enterprise Media in Africa) in Uganda, in cooperation with the ILO.
- Labour market and employment, such as Labour Market Dialogue, LMD.
- Mobilisation of private capital, for instance through Swedfund and Garantco.
- Direct support for companies, for example through Start-South and Start-East.
- Trade, such as non-tariff barriers to trade, EPOPA (Development Through Organic Trade).
- Development of financial systems, such as microfinance.

Supply and/or demand?

Issues raised in the discussion

The discussions raised several contentious issues that were all in some way related to decisions about supply and/or demand.

• *Is procurement the solution?*

The position taken in the Paris Declaration that aid must increasingly be channelled through programme-based approaches means that partner country needs of international experts will be supplied through their procurement by these countries themselves within the economic limits set by the programmes. We are not yet there, but the direction has been staked out. One result of this is that Swedish agencies, companies and organisations will have to compete with other parties for the contracts that are on offer. This presupposes two things:

- The Swedish parties must present themselves to partner countries so that they make themselves known as potential contractors.
- The countries must develop systems for selecting contractors that give Swedish parties a fair competitive situation.

Can humility be a criterion for the procurement of consultants?

We are faced with a dilemma. On the one hand, we support procurement legislation in our partner countries that is based on free competition. On the other hand, we know that our Swedish resource base often possesses a certain quality in how it approaches a partner and how it presents Swedish and/or international experience. This is an expression of humility and respect for the partner's sovereign right to decide about the applications. Many other international experts behave in a convincing way and are full of faith that their own models are the only ones in the world that deliver.

But humility and other "soft" attitudes – which we know are important for success in capacity development – will never be criteria for the evaluation of tenders. Hard criteria like the lowest price will be decisive instead. And Swedish parties will be eliminated in the selection process! Then it will be tempting to earmark some money instead in order to guarantee that Swedish parties are considered.

Doubts about both these pre-conditions were raised in the discussion. See also the box on the right, which exemplifies a dilemma in relation to competitive tendering.

One question in particular was highlighted: Swedish government agencies would need a level playing field in competitive procurement by partner countries. How can this be achieved and what initiatives does Sida need to take in that case? This should be discussed further. A typical situation envisaged will be a group of donors discussing their comparative advantages jointly with the partner country as in the support to the Ministry of Finance in Mozambique (cf section 4

above). Sida and Sweden must then clearly describe their comparative advantage and the way the Swedish knowledge base may be used, remembering that each country inevitably brings with its own traditions and solutions. Answers to system-wide reforms are not neutral and purely technical. A problem today is that the international competitive system for professional consultancy services builds on the notion that knowledge is transferable, comparable and neutral in relation to the problems at hand.

• *How far-reaching is Sida's responsibility to Swedish parties?*

Some of the participants meant that we at Sida have a special responsibility for ensuring that specifically Swedish competence is utilised. The reasoning expressed was as follows:

- In some areas we are eager for Swedish parties to be active in development cooperation because we think that they can contribute crucial competence for the achievement of the poverty reduction objectives. This can apply to labour market development, the management of chemicals, children's rights in school or some other issue. The agencies/companies/organisations that possess this competence do not necessarily priorities development cooperation work. And even if they do, they may not have the resources to market their competence to partner countries. Up until now, Sida has been able to support these parties in various ways, and sometimes various contracts have been tailored to enable these parties to build up and further develop capacity to participate in development assistance. Such contracts have often belonged to the category of supply-driven, tied Swedish aid (such as international training programmes (ITP), or contract-financed technical cooperation (CFTC). This has not been wrong and it is important that we also retain these opportunities in the future.

However, other participants argued very strongly that this is not the function of Sida.

- *The conclusion from the discussion* might be that new position paper on Sida's position in relation to Swedish parties is a start on a journey towards a common view. But a single document is not enough. Continued discussions are required in which different experiences will have to be vented for critical discussion. The intensity of the seminar discussions showed very clearly that such a review process is important and must be given time and space at Sida's divisions.

6 Concluding remarks

Group work on proposals for actions

In the concluding group session at the seminar, the groups were asked to identify important areas for rethinking and action, and try to define how this could be done, and who should do it. In Appendix 4 a table containing these proposals is presented. A summary of the proposals is outlined below.

- *Overriding strategic issues must be discussed and reconsidered*

Two different entry points or perspectives for capacity development were discussed. One has to do with people's capacity to get out of poverty, and their empowerment to create the future they choose. This has to do with human resource development in a broad sense (including higher education and research capacity), but also with the removal of institutional constraints in areas such as starting a business or making one's voice heard in political discourse. This perspective has long been recognised in Swedish development cooperation and is strongly reconfirmed in the PGD.

The other perspective has to do with national ownership and the capacity of the governmental systems to deliver social services, be they public financial management, taxation or health services. This is emphasised in the Paris Declaration.

Concern was expressed that the second perspective would dominate in the future. The challenge for Sida will be to combine the two perspectives and to adjust its approaches accordingly. How is this to be done? The proposal was to have POM take the initiative to ensure that the issue is thoroughly discussed at divisions and departments.

- *Capacity analysis*

As Poverty Reduction Strategies (PRS) are becoming increasingly important, there is a need to ensure that capacity analysis is included in the PRSs. The different groups provided different proposals on this, emphasising different aspects.

- *Capacity development aspects in efforts for alignment and harmonisation*

It was argued that Sweden should be at the forefront on issues of capacity development in the dialogue with partner countries and donors within the framework for budget support and other forms of programme-based approaches.

- *Analysis of Sida's good practices*

One problem today is that our experience is not well documented. We need to gather information from our experience of capacity development in order to include the lessons learned as part of the dialogue with other donors and with the partner countries.

- *Share our experience in the international debate*

Sida should continue participate in the international debate on capacity development, not only to share what Sweden has learned, but also to learn from the experiences of others.

- *Develop Sida's "toolbox"*

There is also a need to examine Sida's toolbox of methods for capacity development and make good practices known throughout our organisation. Implementation of the LFA method should be reconsidered to make that method more flexible.

- *Monitoring and evaluation*

Methods for monitoring and evaluation in order to promote learning and formative decisions in the development programmes should be looked into.

- *Enhancing Sida's own capacity*

Sida's policy (2000) and manual (2005) were appreciated at the seminar, but greater efforts are needed to share this knowledge among staff members. The policy and manual also have to be supplemented with more material, such as checklists, collection of cases, guidelines on particularly important methods.

- *Need for a help desk on capacity development*

One issue that received special attention was the possibility of a help desk on capacity development. The need for a help desk was well articulated, but how can a help desk be organised?

- *The Swedish resource base*

The role of Swedish parties in programmes and projects for capacity development was a contentious issue at the seminar, but there were really no concrete proposals on how to go about developing a common understanding at Sida. The need for this, however, was amply expressed.

Concluding comments from POM's participants

Most of the groups' proposals for actions were referred to POM with a request that POM take initiatives and carry out some of this work in cooperation with other departments at Sida. Therefore, before closing the seminar, the floor was given to the representatives from POM to comment on the proposals.

- When we look at all these proposals together, I believe that they show three things. Sida is well prepared with methods and thinking on an intermediate level, as shown by the policy and the manual. However, we lack concrete guidelines on the toolbox level. More checklists and case studies should be developed, and perhaps, a little surprisingly, we also lack well-founded strategy. There is a need to bring the strategic issues we have discussed here to the management and to the divisions. These issues are very important and we need to think them through.

Ann Stödberg

- One conclusion from the seminar, I think, is that the two strategic perspectives on capacity development that we have defined here can serve as a good basis for further discussion. The challenge for Sida will be to combine the two perspectives and to adjust our approaches in practical decisions for programmes and projects. When we do so, we need to redefine capacity development as *an endogenous process that can be stimulated but not engineered, from outside*. I think there is also another conclusion that is very important when we go deeper into these two perspectives. This concerns civil society. Although support to civil society is a very important part of development cooperation, it is not even mentioned in the Paris Declaration. Our efforts would be more meaningful if we learn more about how civil society intervention influences governmental activities and vice versa. When we highlight “empowerment” as a central dimension in capacity development, we need to recognise the civil society organisations as the important parties they are.

Ingemar Gustafsson

- The proposals made at the seminar are important input for the Sida and POM action plan. They have to be placed in the broader context of review and rethinking that is already ongoing at Sida in relation to the PGD and the Paris Declaration. It is important that Sida’s work on capacity development be seen and made an integral part of Sida’s overall work. Hence, we must avoid the notion of capacity development as a never ending process which can be separated from the overall objective, which is poverty reduction. Everything we do should be related to this overall objective.

Changes are and will be needed here. “Business as usual” is not an option. The importance of capacity development and the need to rethink our approaches to capacity development should be highlighted.

Staffan Herrström

Appendix 1

Seminar on Capacity Development in light of the Swedish Policy for Global Development and international trends, 8–9 March 2006.

The purpose of the seminar is twofold. The first is to look at Sida's approach to capacity development through the lens of the PGU and international trends and experiences. This includes the Paris agenda for aid effectiveness and international good practice.

The second is to analyse what implications these two perspectives will have for Sida's way of working.

Programme

8th February

09.00–09.20	Welcome and opening remarks (Staffan Herrström)
09.20–10.30	Capacity Development in light of a changing landscape of Development Cooperation (Ingemar Gustafsson). Examples from Nicaragua (Sten Ström, Mikael Elofsson), Mozambique (Hallgerd Dyrssen) and Kenya (Ulrika Åkesson, Sara Gustavsson).
10.30–10.50	Coffee
10.50–12.45	Continuation from morning session
12.45–14.00	Luncheon
14.00–16.00	Evaluation of Capacity Development. Conclusions from an international study. (Heather Baser and Peter Morgan, European Centre for Development Policy Management, ECDPM and Gun Eriksson-Skoog, Sida).
16.00–16.30	Coffee break
16.30–17.30	Identification of issues that have arisen during the day.
18.00–	Dinner

9th February

08.30–09.00	Issues and themes from Day One
09.00–10.30	Capacity Development in light of the Swedish Policy for Global Development (Ann Stödberg, Sida), Sida and other Swedish parties (Ulrika Lång, Sida & Molly Lien, Sida).
10.30–10.50	Coffee break
10.50–11.00	Introduction to group work; Implications for Sida
11.00–12.45	Group work
12.45–14.00	Luncheon
14.00–15.30	Presentation of, and conclusions from, group work.
15.30–15.50	Coffee
15.50–16.30	Plenary discussions – Issues for Sida and how they should be addressed during 2006 – Towards a Work Plan.

Appendix 2

Participants in the seminar

<i>Staffan Herrström</i>	Head of Department Policy and Methodology, POM
<i>Karl-Anders Larsson</i>	Senior Advisor Policy and Methodology, POM
<i>Ulrika Lång</i>	Programme Officer, Director-General Staff
<i>Karin Metell Cueva</i>	Country Programme Coordinator, Department for Latin America, RELA
<i>Annika Palo</i>	Country Programme Coordinator, Department for Europe, EUROPA
<i>Mikael Elofsson</i>	Deputy Head of Department Finance and Corporate Development, EVU. (Former economist at the Swedish Embassy in Nicaragua.)
<i>Sten Ström</i>	Economist Swedish Embassy in Nicaragua
<i>Ulrika Åkesson</i>	Programme Officer Water Development, Swedish Embassy in Kenya
<i>Sara Gustafsson</i>	Programme Officer Legal Sector Reform, Swedish Embassy in Kenya
<i>Molly Lien</i>	Programme Officer, Infrastructure and Economic Cooperation, INEC.
<i>Love Theodossiadis</i>	Programme Officer, Infrastructure and Economic Cooperation, INEC.
<i>Yacine Slamti</i>	Programme Officer, Infrastructure and Economic Cooperation, INEC.
<i>Hallgerd Dyrssen</i>	Deputy Head of Division, Democracy and Social Development, DESO.
<i>Anders Emanuel</i>	Programme Officer, Democracy and Social Development, DESO.

<i>Paulos Berglöf</i>	Programme Officer, Democracy and Social Development, DESO.
<i>Janet Vähämäki</i>	Programme Officer, Democracy and Social Development, DESO.
<i>Claes Kjellström</i>	Programme Officer, Research Cooperation, SAREC
<i>Ana-Maria Oltorp</i>	Programme Officer, Research Cooperation, SAREC
<i>Bertil Wahlund</i>	Programme Officer, Research Cooperation, SAREC
<i>Petra Attfors Burcher</i>	Programme Officer: Cooperation with NGOs, Humanitarian Assistance and Conflict Management, SEKA.
<i>Toomas Mast</i>	Programme Officer, Capacity Development, Sida Civil Society Centre, Härnösand.
<i>Alexandra Wacht- meister</i>	Programme Officer, Environment Policy Division.
<i>Daniel Asplund</i>	Programme Officer, Natural Resources and the Environment, NATUR.
<i>Elisabeth Khan-Berg</i>	Programme Officer, Department for Information
<i>Eva Lithman</i>	Head of Department, Evaluation and Internal Audit, UTV.
<i>Gun Eriksson Skoog</i>	Programme Officer, Evaluation and Internal Audit, UTV.
<i>Heather Baser</i>	Coordinator of the Study “Capacity, Change and Performance”, European Centre for Development Policy Mangement, ECPDM.
<i>Peter Morgan</i>	Principal Consultant to the Study “Capacity, Change and Performance”, European Centre for Development Policy Mangement, ECPDM.

Seminar Leaders

<i>Ingemar Gustafsson</i>	Senior Advisor, Policy and Methodology, POM
<i>Ann Stödberg</i>	Senior Advisor, Policy and Methodology, POM
<i>Lotta Viklund McCabe</i>	Advisor, Policy and Methodology, POM
<i>Lage Bergström</i>	Consultant

Appendix 3

Papers and evaluation reports referred to in the seminar

A selection of Sida papers on capacity development²⁰

- “*Sida’s Policy for Capacity Development*”, 2000.
- “*Manual for Capacity Development*”, Sida, 2005.
- “*Methods for Capacity development*”, a report for Sida’s project group “Capacity development as a Strategic question”, by Lage Bergström. Sida, 2002.
- “Kapacitetsutveckling genom stärkande av organisationssystem och institutioner”, “*Capacity development by strengthening system of organisations and institutions*”, a report for Sida’s project group “Capacity development as a Strategic question”, by Lennart Gustafsson. Sida, 2004.

Of relevance for the case of public financial management in Mozambique²⁰

- “*Good practice in Building African Capacity for Public Financial Management: The Experience of NORAD and Sida*”, Report to the Task Team on Financial Management and Accountability of the Strategic Partnership With Africa (SPA), 2003.
- Sida Evaluation 04/29: “*Mozambique State Financial Management Project (SFMP)*”, by Ron McGill, Peter Boulding, Tony Bennett.
- “*Public Financial Management*”, Position Paper, Sida, 2005.

In UTV’s evaluation theme on institutions²⁰

- Sida Studies in Evaluation 05/04: *Development of Institutions is Created from the Inside – Lessons Learned from Consultants’ Experience of Supporting Formal and Informal Rules*.
- UTV Working Paper 2005:3: *Supporting the Development of Institutions – Formal and Informal Rules: An Evaluation Theme; Basic Concepts*.
- UTV Working Paper 2005:4: *Donor Approaches to the Development of Institutions – Formal and Informal Rules: A Partial Overview*.
- UTV Working Paper 2005:5: *Sida Support for the development of Institutions – Formal and Informal Rules: Reports from Kenya, Mozambique, Laos and Vietnam*.

²⁰ The papers and reports are available at <www.sida.se>.

In ECPDM's project "Capacity, Change and Performance"²¹

Case studies:

- *Resilience and high performance amidst conflict, epidemics and extreme poverty – The Lacor Hospital, northern Uganda*. Discussion Paper 57A (Volker Hauck).
- *Developing capacity for participatory development in the context of decentralisation – Takalar district, South Sulawesi province, Indonesia*. Discussion Paper 57B (Anthony Land).
- *COEP-Comitê de Entidades no Combate à Fome e pela Vida – Mobilising against hunger and for life: An analysis of capacity and change in a Brazilian network*. Discussion Paper 57C (John Saxby).
- *Developing capacity for tax administration – The Rwanda Revenue Authority*. Discussion Paper 57D (Anthony Land).
- *Ringling the church bell – The role of churches in governance and public performance in Papua New Guinea*. Discussion Paper 57E (Volker Hauck, Angela Mandie-Filer and Joe Bolger).
- *Papua New Guinea's Health Sector – A review of Capacity, Change and Performance issues*. Discussion Paper 57F (Joe Bolger, Angela Mandie-Filer and Volker Hauck).
- *Capacity building for decentralised education service delivery in Pakistan*. Discussion Paper 57G (David Watson and Adnan Qadir Khan).
- *Capacity building for decentralised education service delivery in Ethiopia*. Discussion Paper 57H (David Watson and Lissane Yohannes).
- *Capacity building for decentralised education service delivery in Ethiopia and Pakistan. A comparative analysis*. Discussion Paper 57I (David Watson).
- *Organising for large-scale system change – The Environmental Action (ENACT) programme, Jamaica*. Discussion Paper 57J (Peter Morgan).
- *Building capabilities for performance – The Environment and Sustainable Development Unit (ESDU) of the Organisation of Eastern Caribbean States (OECS)*. Discussion Paper 57K (Peter Morgan).
- *Networking collaboratively – The Brazilian Observatório on Human Resources in Health*. Discussion Paper 57L (Francisco de Campos and Volker Hauck).
- *The growth of capacity in IUCN in Asia*. Discussion Paper 57M (Anne Rademacher).
- *The Philippines-Canada Local Government Support Programme – A case study of local government capacity development in the Philippines*. Discussion Paper 57 N (Agriteam Canada Consulting).
- *Strategic Positioning and trade-related capacity development – The case of CTPL and Russia*. Discussion Paper 57O (Phil Rourke).

Thematic papers to stimulate reflection and policy discussions:

- *Organisational Legitimacy, Capacity and Capacity Development* (Discussion Paper, 58A). by D Brinkerhoff, D, 2005.
- *The idea and practice of systems thinking and their relevance for capacity development*, by P Morgan, 2005.
- *Networks and Capacity*, by S Taschereau, J Bolger, 2005.
- *Monitoring and Evaluation of Capacity and Capacity Development* (Discussion Paper, 58B), by D Watson, 2006.

²¹ The papers and reports are available at <www.ecdpm.org>.

Synthesis reports:

- *Study on Capacity, Change and Performance – Interim report* (Discussion Papers, 59A), by P Morgan, T Land, H Baser, 2005.
- *What is Capacity? Going beyond Conventional* (Nordic Africa Wisdom Institute news, 02/2004), by P Morgan, 2004.
- *Bibliography on Study on Capacity, Change and Performance*, by P Morgan, 2003.

Appendix 4

What, how and who in respect of proposed actions

In the concluding group work sessions at the seminar, the groups were asked to identify important areas for rethinking and action, and try to define how this could be done, and who should do it. In the table below these proposals have been compiled, with similar proposals combined in order to make it easier to get an overview.

What/Why?	How?	Who?
1. Strategic issues		
1.1 How to find the right balance between the different overriding perspectives on capacity development – human resource development and capacity for service delivery?	Rethinking at Sida's divisions and departments.	POM
2. Capacity Analysis		
2.1 As Poverty Reduction Strategies (PRSs) are becoming increasingly important, there is a need to ensure that capacity analysis, with a focus on power relations, is included in the PRSs.	Find and consolidate promising practices from DAC as well as Sida's internal experiences.	POM, REG, AA
2.2 We need to better be able to evaluate the existing capacity to plan, develop and implement the PRSs.	Pilot study is ongoing in RELA.	UTV, RELA, PEO-LÄR, POM
2.3 Include the political dimension in capacity development.	Include power relations, gender perspectives etc in the analysis. Important to balance fast results with longer term perspectives.	Programme officers

2.4 Enhance Sweden's capacity in political analysis and political dialogue in a more complex aid-environment at a system level.	Needs assessment of necessary competencies. Develop clear competence profiles. Carry it out in the recruitment process. Thorough recruitment at leadership level. The leaders chosen need to have relevant level for the political dialogue.	Sida and MFA (high level) Sida and MFA, training departments.
2.5 Better understand power relations and their meaning for the reform work.	Include power analysis in country strategies.	Consultation Group between Sida and MFA Programme officers, DESA,POM
3. Efforts for alignment and harmonisation.		
3.1 Focal point for harmonisation, alignment and referrals.	Active network, including the field. Using the intranet.	POM or network t ex. POMFORUM. Or both with field representation.
3.2 Sweden should be at the forefront regarding issues of capacity development in its dialogue with partner countries and donors within the framework for budget support and other forms of programme based approaches.	Need to include capacity analysis in the preparation of programme-based support. Analysis has to be done at all levels (DAC guidelines). However the goal is not a perfect analysis/plan, but rather to create a process, which through analysis contributes to learning.	The field with support of HQ and a helpdesk.
3.3 The “be or not to be” of PIUs is currently being debated. Guidance is needed	Define “negative” PIUs as well as positive PCOs for future guidance	POM, field
3.4 A problem today is that our experience is not well documented. We need to gather information from our experience of capacity development in order to feed the lessons learnt into the dialogue with other donors and with the partner countries	Take stock of lessons learnt with relevance for alignment and harmonisation	POM, field.
4. Lessons learnt, good practices and methods development		
4.1 Important to enhance Sida's internal knowledge about what has worked and what has not worked in the field of capacity development.	Make an inventory of lessons learnt through a collection of cases. Consolidate them into short and accessible reports.	POM, field

4.2 There is a need to look over Sida's capacity development toolbox to ensure the right: – approach for different goals, – tools for analysis – analysis of parties – PRS analysis – Organisational, capacity and system revision	Develop guidance/methods for planning, monitoring & evaluation with capacity development in focus. Develop a checklist/framework over what needs to be part of a capacity analysis including a thorough background text. This should be done in project form. (Timeframe: 6 months.) Revise existing Policy and Manual on capacity development.	POM POM, SEKA, UTV, DAC POM, EVU POM, PEO
4.4 South-South perspective/networking as method for capacity development		
4.5 Improve methods for in-built learning possibilities into programmes for: – optimal management by objectives – consistent revisions of goals and methods.	Programmes for pilot activities. Make the LFA more flexible.	POM, programme officers
4.6 Enhance the role of communication in sector reforms.	Develop methods.	INFO, POM
5. Opportunities for learning, and enhanced capacity at Sida		
5.1 Better support both in theory and practice with regards to capacity development issues.	Similar emphasis as put on PFM should be done for capacity development. Create a help desk (preferably together with other donors).	POM
5.2 Make the manual for capacity development and the DAC guidelines better known.	Through training programmes, introduction courses and courses for field assignments as well as courses for Swedish parties. POM needs to set aside more resources for capacity development issues. Courses should also be held in the field together with other donors.	POM, PEO-LÄR/
5.3 Include capacity development in Sida's core competencies.	Just do it! Core competencies project.	PEO-LÄR

6. Swedish resource base.		
5.1 Develop clear guidelines for how the Swedish resource base can be used within programme-based support.	Include the guidelines into the method work of programme-based approaches.	<p>POM's working group for programme-based approaches</p> <p>POM in collaboration with INEC, DESA, SEKA</p>

POM Working Papers

Manual för kapacitetsutveckling.....	2005:1
Programstöd och offentlig finansiell styrning/ Programme Support and Public Financial Management	2005:2
Att bekämpa korruption	2005:4
Poverty reduction Strategies from an HIV/AIDS Perspective	2005:6
Questions and Answers on Programme Based Approaches	2005:7
Sida Action Plan 2005–2006 for Increased Poverty Focus	2006:1
Sida Action Plan 2006–2008 for Increased Aid Effectiveness	2006:2
Time for Rethinking – Capacity Development in a Changing Landscape of Development Cooperation	2006:3

Halving poverty by 2015 is one of the greatest challenges of our time, requiring cooperation and sustainability. The partner countries are responsible for their own development. Sida provides resources and develops knowledge and expertise, making the world a richer place.



SWEDISH INTERNATIONAL
DEVELOPMENT COOPERATION AGENCY

SE-105 25 Stockholm Sweden
Phone: +46 (0)8 698 50 00
Fax: +46 (0)8 20 88 64
sida@sida.se, www.sida.se