

Unclassified

DCD/DAC(2011)17

Organisation de Coopération et de Développement Économiques
Organisation for Economic Co-operation and Development

26-Apr-2011

English - Or. English

DEVELOPMENT CO-OPERATION DIRECTORATE
DEVELOPMENT ASSISTANCE COMMITTEE

DCD/DAC(2011)17
Unclassified

2011 PROGRESS REPORT: DAC CAPACITY DEVELOPMENT INITIATIVE

DAC Meeting, 10 May 2011

This document is submitted for DISCUSSION under Item 5 of the Draft Annotated DAC Agenda [DAC/DCD/A(2011)7].

It is submitted to the DAC by the Secretariat as an annual reporting requirement. While this work stream regularly receives informal guidance from a DAC Delegate Group on Capacity Development, this report is both an occasion to review achievements in implementing the DAC capacity development initiative and an opportunity to discuss potential future DAC involvement.

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JT03300660

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2011 PROGRESS REPORT: DAC CAPACITY DEVELOPMENT INITIATIVE

I. Brief background

1. Building on the broad success of its 2006 guidance on capacity development¹, the DAC has used the aid effectiveness agenda to pursue a collective learning process targeted on operational good practice and DAC member behaviour change in the field. This learning process was launched in October 2008 with a formal strategy [DCD/DAC(2008)51]. Because the DAC assumed direct oversight of its implementation, the Secretariat was asked to provide an annual progress report. This is the third such document and focuses on the period April 2010 – April 2011.

2. The 2011-2012 PWB contains a results framework and targets for this effort (Output 4): “Guidance on effective and practical approaches to capacity development which draws upon sector and country cases for applying *The Challenge of Capacity Development: Working towards Good Practice*, particularly in implementing the Paris Declaration.” Three intermediate outputs (IO) are identified:

- IO 4.1: Annual progress reports to the DAC on donor-partner country success in implementing the DAC operational vision for capacity development.
- IO 4.2: Guidelines for good donor-partner country behaviour on capacity development in priority operational areas (e.g. technical assistance, level of collaboration, training).
- IO 4.3: Updated good practice report on capacity development for the environment sector.

II. Achievement summary

3. The initiative has proven timely since it was launched in 2008. Local capacity is increasingly admitted to be an area of central importance to the effectiveness and sustainability of aid. DAC work in this area is the only global aid agency effort in capacity development that builds upon the Accra Agenda for Action in pursuing more joined up learning and good practice. It has been a lightning rod for individuals and institutions taking an interest in this topic. As for the DAC decision last year, this initiative will be closed at the end of 2011: the 2012 PWB does not contain funding for a capacity development work stream and dedicated staff. For the remainder of 2011 the focus will be to ensure that the Busan meeting and outcomes reflect the evidence and emerging consensus on effective approaches to capacity development that have been identified through this work stream – which, in turn, can then be mainstreamed into other DAC work areas continuing or emerging post-Busan. This has been a relatively small scale DAC initiative which has expanded its reach by influencing, catalysing and leveraging the actions of many other partners. Annex 1 to this text recapitulates overall achievement milestones to date.

4. Achievements against PWB expectations since the last progress report are noted below.

2.1 “Implementing the DAC operational vision” (IO 4.1)

5. The DAC always understood that success in addressing capacity development requires a framework of action beyond aid and aid agencies alone. The Secretariat has sought to implement the DAC operational vision by learning and sharing with a broad base of strategic partners: (i) Southern voices, (ii) aid agencies, (iii) OECD sister directorates and (iv) the general public.

6. *Southern voices*: Consistent with the aid effectiveness principle that sustainable development is the responsibility of the partner country, the Secretariat has supported the strongest possible Southern voice

1. The Challenge of Capacity Development: Working towards Good Practice, OECD, 2006.

in responding to the capacity priorities of the AAA, especially in relation to early strategic partners LenCD and the *ad hoc* CD Alliance. Both are led by joint South-North steering groups and both see their longer term impact in networking with broader sets of actors over time. More recently, work has begun with the NEPAD Secretariat and African Capacity Building Foundation (ACBF) on their approach to capacity in Africa, particularly the implementation of the *Capacity Development Strategic Framework* for Africa (2010). The 2011 workshop in Cairo² supported by the OECD and Japan brought forward jointly derived evidence on the capacity development priorities of the AAA, and culminated with a basic political advocacy statement – the “Cairo Consensus” – of South-North messages for Busan (see Annex 2). As part of that meeting, a coalition of partner countries and aid agencies generated a series of collaborative steps to carry these messages forward (see section 3.1.).

7. *Aid agencies*: Within its broader partnership, the DAC comparative advantage is with aid agencies, particularly DAC members, where it has sought collective identification of good practice and supported more common agency policy and behaviour.

- i) Network: A “CD Correspondent Network” of official contacts from each member (plus ADB, IBRD, UNDP and AfDB) has been used to share information and to consult on action priorities. It has been used to support the regular updating (e.g. following DAC Peer Reviews) of the Secretariat inventory of agency capacity development policies and practices³.
- ii) Consultation: On 29-30 November 2010, the OECD sponsored a consultation (*Capacity Development in Aid Business Processes: Getting it Right!*) for some 50 representatives from member agencies, with the presence of senior participants from partner countries, multilateral organisations and civil society. It was an opportunity to share experiences, pinpoint good/bad practice, identify needs for more joint action and shape capacity messages for Busan. A summary (see Annex 3) was widely circulated and provided input to the Cairo Workshop noted above.
- iii) Subsidiary bodies: The Secretariat, and in some cases LenCD, supported several subsidiary bodies to address capacity in their areas of focus. **WP-EFF** clusters collectively reported that capacity is a cross-cutting issue, while specific focus and support in 2010 was in Clusters A, B and E. The Secretariat and LenCD also provided support to **INCAF/International Dialogue** work on statebuilding and peacebuilding (which identifies capacity development as one of four pillars of the Dili Action Plan), and to the **ENVIRONET** Task Team⁴ on CD good practice in the environment (see paragraph 12).
- iv) Peer Review Support: Collaboration has taken place in relation to every capacity development section of OECD peer reviews. It also led to a Peer Review synthesis statement on learning in capacity development from eleven DAC Member Peer Reviews in 2009-2010⁵.

2. Cairo Workshop on Capacity Development: From Concepts to Implementation was held in Cairo, Egypt from 28-29 March 2011. It was jointly sponsored by the Egyptian Government, OECD and Japan/JICA and co-chaired by Talaat Abdel-Malek (WP-EFF and CD Alliance Co-Chair) and Frannie Leautier (Executive Secretary, African Capacity Building Foundation).

3. “Inventory of Donor Approaches to Capacity Development: What we are Learning”, DCD/POL, March 2009.

4. Capacity Development and Governance for Environment and Natural Resource Management

5. Austria, Belgium, Germany, Ireland, Italy, Japan, New Zealand, Portugal, Sweden, Switzerland, UK. See DCD/DAC(2011)3/REV1.

8. *OECD sister directorates*: Although evolving resource constraints prevented the Secretariat from fully pursuing previous work within an informal work group of 18 OECD sister units, collaboration on a “windows of opportunity” basis continued in 2010-11 with ENV, GOV and across the DCD.

9. *General public*: Building from its early Communication Strategy, the Secretariat has reached out in various ways with hundreds of contacts interested in issues of capacity. The website www.oecd.org/dac/capacitydevelopment provides public space for dissemination of the work undertaken by the Secretariat and links to key partner and relevant technical sites. The website has proven to be a successful means of communication: several users have contacted the Secretariat after having visited it, to comment on documents or, more generally, to get in touch and exchange experiences. It is updated regularly.

2.2 “Guidelines” (IO 4.2 and IO 4.3)

10. Intermediate Output 4.2 targets **good practice guidelines on donor-partner country behaviour**. This guidance has been assembled progressively over the last two years of collective learning, with special attention to Southern perspectives and those of independent knowledge networks. Over the last year, a primary achievement of the Secretariat has been the generation, with partner LenCD, of professional “Perspectives Notes”⁶ which bring together joint conclusions for each key capacity priority of the AAA and was used to form much of the evidence for the *Synthesis Report* that framed the 2011 Cairo meeting.

- *The Enabling Environment for CD*
- *Perspectives Note on Sector CD (and related country systems)*
- *CD and Civil Society Organisations*
- *Technical Cooperation for CD*
- *Perspectives on CD in Fragile Situations*

11. These reports were vetted internationally and integrate comments South and North. Much of this evidence found resonance in Cairo and now provides a more operational basis for a South-North consensus for future joint action in Busan and beyond.

12. Work on IO 4.3 **good practice guidance in the environment sector** has been led by ENV and DCD Directorates. The joint ENV/DCD “Task Team on Governance and Capacity Development for Environment and Natural Resource Management” will complete *Policy Guidance on Capacity Development for Environment* in 2011. It uses a country system approach to capacity development for the environment. The 2009 DAC/EPOC High Level Meeting identified the development and sharing of this guidance as an OECD priority, particularly in the context of climate change.

III. Looking forward

13. This progress report comes at a turning point for the DAC initiative in capacity development. The Cairo meeting marked a strategic shift to more effective Southern leadership and ownership of the capacity development agenda on the road to Busan. If continued, this will permit a shift in responsibility for capacity development learning and aid action to partner countries for implementation of jointly derived capacity development good practice in Busan and beyond.

6. See www.oecd.org/dac/capacitydevelopment.

14. A “DAC Delegate Group on Capacity Development” has served as a helpful, informal reference body since the inception of this work stream. It met with the Secretariat on 20 April 2011 to review past and future DAC involvement in capacity development. At that meeting, the group talked about the need to rethink the role of DAC members in capacity development (and elsewhere) as Southern voices emerge more strongly, as well as the need to support - in Busan and beyond - a more common, global partnership that includes North-South, South-South and triangular approaches to capacity development. The group also called for anchoring early capacity reform on technical cooperation; honest donor dialogue around results and maximum transparency; and moving capacity focus to country level improvements. The group took note of the fact that the 2012 PWB does not allocate funding for a capacity development work stream and a dedicated unit post-Busan. Capacity development will be mainstreamed into existing or new DAC work streams; in particular, the group discussed the possibility to use existing networks (e.g. WP-EFF, GOVNET) to continue working on capacity development as well as to frame this topic as part of the future DCD focus on “capable states” and knowledge sharing.

3.1. Forward to Busan...

15. Current DCD work planning in capacity development is focused on the HLF4, just nine months away. Support work is intensifying for individual clusters of the WP-EFF process and special opportunities such as the work of the International Dialogue on capacity development in fragile situations, or ENV/DCD work on environment guidance, and will be pursued as a core task, as possible.

16. The Cairo Consensus on capacity development and the evidence assembled in support of its messages can offer the DAC a dynamic platform for forward motion into Busan. Key actions in the coming nine months currently anticipated in which the Secretariat already is engaged include:

- *African leadership*: Support for an emerging political effort to form a coalition of African institutions who collaboratively can lead an effort in Africa to learn, discuss and implement “effective aid and South-South cooperation, with capacity development at its core”. As currently intended, this effort will be integrated into the recent African Platform for Development (APDev) - strategically led by the African Union and its NEPAD Secretariat and including the ACBF, among others. Part of this process will include a “State of African Capacity in Africa” report. The Secretariat role so far has been catalytic and focused on promoting an implementation process that would gain the support of key partners in the North (through end 2011).
- *Country level feedback*: Collaboration with Egyptian organisers, LenCD and UNDP, under the leadership of individual country champions present in Cairo, to solicit country level feedback and evidence in response to the key messages emanating from the Cairo Consensus (estimated June – September timeframe).
- *Technical cooperation*: The Cairo meeting hosted a dynamic roundtable on technical cooperation, an instrument used for approximately a quarter of all ODA. The members of this group have agreed to pursue its work to define a jointly agreed profile of good practice in aid-supported technical cooperation. In this case, the Secretariat is playing a coordinating role. If successful, the effort will be used as a reference point to the Cairo Consensus call for “...demand led, transparent technical cooperation tailored to country context...” (estimated May – August timeframe).
- *Evidence building*: In Cairo, the gathering of country level evidence in support of key meeting themes was noted as part of the process that would help support Cairo messages. Partner network LenCD, at its general assembly in Kigali last February agreed to work with its member network to assist over the weeks ahead. The Secretariat will participate in the design and oversight of this effort, as needed (estimated June – September timeframe).

3.2. ...*Thinking Beyond Busan*

17. While HLF4 planning and the meeting format are still evolving, it is clear that partner country ownership/leadership will be a central, critical feature, as well as the related core issue of local capacity and how to develop it. The past three years of DAC focus and support culminated with the Cairo Consensus just over a month ago. The jointly derived consensus under Southern leadership highlighted the importance of applying a capacity development lens when seeking effective aid delivery and more demand led (and sustainable) national development. Capacity development as a strategic lens is both an approach to aid delivery and a longer term exit strategy for aid. Much remains to be done; given the DAC's resource constraints and the closure of this work stream at the end of the year, it could be envisaged that leadership on capacity development post-Busan would be increasingly taken on by UNDP, LenCD and the members of the African initiative noted above.

18. Post-Busan, capacity development will be mainstreamed into existing and new DAC work streams and networks, which will integrate the lessons learned from Busan and the emerging capacity development agenda in their areas of action. In particular, based on the results of Cairo and subsequent brainstorming within the OECD, options for DAC future involvement include:

- *Currently funded work streams:* Capacity is a recognised constraint for all work streams going into Busan. The building of overall local capacity is broadly seen as a development priority which is needed over the longer term to move from aid in favour of more sustainable collaboration among nations. For the Secretariat, this will be broadly reflected in the new DCD focus on "capable states". Also, the DAC will pursue its current efforts to support capacity development in the already funded priority areas of fragile states and statistics, and seems well poised to pursue post-Busan efforts to build country system capacity, to continue working in the area of capacity development for the environment, and elsewhere.
- *Monitoring function:* the DAC is ideally positioned to play a key role in monitoring member country performances in terms of implementing the capacity development agenda that will be agreed upon in Busan. This can be pursued through existing processes such as Peer Reviews and periodic reports on members' individual and collective performances.
- *A special initiative in Africa:* In Africa, the coalition of actors mentioned on the previous page appears ready to pursue a dynamic process of learning and change, with capacity development at its core. The DAC could play a vital role in supporting the quality of aid implementation in African focus countries. The DAC comparative advantage is to serve as a conduit for good practice learning between partner countries and the DAC member agencies, and to use its convening authority, as needed, to promote greater joining up of approach in field implementation.

Potential topics for discussion

- Given the scarcity of resources, what role can the DAC play in support of better coordinated aid agency involvement in the increasingly Southern-led international capacity development discussion beyond Busan – at minimum costs and without a dedicated structure?
- Should strategic oversight on capacity development within the DAC be re-integrated into the work of a subsidiary body (e.g. WP-EFF, GOVNET), or should this become a joint effort across subsidiary bodies with periodic reporting to the DAC?

Annex 1

DAC Milestones in Capacity Development (2006-2011)	
Milestone	Comments
2011	
March: <i>Cairo Workshop on Capacity Development: from Concepts to Implementation</i>	Generated the <i>Cairo Consensus on Capacity Development: Call to Action</i> – a joint South-North statement for HLF4.
March: <i>Capacity Development: Lessons Learned and Actions for Busan and Beyond - Synthesis Report</i>	Synthesis Report drafted under the guidance of a small Southern High Level Group to consolidate evidence and distil lessons learned on capacity development. It offered a framework for the Cairo workshop discussions.
January: <i>Seeking Better Practices for Capacity Development: Training and Beyond</i>	Special consultancy by Jenny Pearson for OECD and LenCD. [DCD/WKP(2011)1]
2010	
December: <i>Perspective notes on AAA CD priorities</i>	Perspective notes drafted for each AAA CD priority (with LenCD). Provide synthesis of available evidence, lessons learned and key messages to Busan and beyond.
November: <i>Capacity Development in Aid Business Processes: getting it Right!</i>	This meeting marked a key step in a joint effort to review lessons and identify key technical and political messages on capacity development. Issues Brief on key messages from the event produced.
Support donor TC reform processes	Ongoing dialogue with various donors. Issues briefs produced on <i>donor CD innovations</i> (Australia and the European Commission).
Participation in key international events on Capacity Development (<i>Bogotá HLE on SSC and CD</i> , March; <i>Marrakesh Capacity is Development event</i> , May)	Special attention to support Southern partners in raising the visibility of their perspectives in such events. Issues briefs and ad-hoc documents contributed (e.g. <i>CD Perspectives on SSC, TA, Training and beyond</i> for the Bogotá HLE – with CD Alliance and LenCD).
2009	
November: joint CD Alliance and DAC meeting on “ <i>Southern Perspectives on Capacity development</i> ”	Key messages from the meeting captured in <i>Issues Brief</i> produced briefly after the event.
May: launching of <i>CD Alliance</i> (Berlin, Germany)	First CD Alliance Annual Work Plan developed (September 2009- August 2010).
March: <i>DAC Inventory of Donor Policies and Practices on Capacity Development</i>	Updated in October 2010, the inventory provides individual and summary information on donor capacity work. It has provided an initial input on priority joint actions on capacity development within the donor community.
January: <i>Informal CD Correspondent Network</i>	Informal CD Correspondent Network assembles capacity development contacts from each DAC member system (plus ADB, IBRD, and UNDP). Used to shared information and consult on action priorities.
Promotion of grater coherence within OECD through <i>informal OECD workgroup on CD</i>	Informal collaboration established with 18 separate OECD work-streams. Special one-day meetings on “country systems” (March), “capacity development in fragile situations” (April) as well as a two-day workshop on “capacity and aid effectiveness” (July) organised throughout the year. Issues Brief produced for each meeting.
2008	
October: Approval of the <i>DAC Capacity Development Initiative</i> for 2009-2010.	DAC Assumed direct oversight of implementation.
September: <i>Third High Level Forum on Aid Effectiveness</i> (Accra, Ghana). Generation of <i>the Accra Agenda for Action</i> (AAA)	AAA refers to CD in 16 different passages. These can be grouped into the six operational themes in line with Bonn Consensus.
May: <i>Bonn Workshop on Capacity Development</i>	<i>Bonn Consensus</i> list of six capacity development priorities – which later became part of the AAA.
February: recruitment of <i>Senior Co-ordinator for Capacity Development</i>	Senior Co-ordinator recruited to help resurrect the visibility of capacity development in HLF3 in Accra and to help define a subsequent DAC approach to the topic.
2006	
DAC guidance: “ <i>The Challenge of Capacity Development: Working Towards Good Practice</i> ”	Document is widely known as an international reference on the topic of capacity development.

Annex 2

Cairo Consensus on Capacity Development: Call to Action

Building on Bonn, Accra and meetings that followed, including the Cairo Workshop, we acknowledge the progress made and take note of a number of practical results since then, yet we remain aware that more needs to be done. Progress includes recognition, based on strong evidence, that *institutional and human resource capacity development* (CD) is essential to achieve sustainable development results. We, the Cairo Workshop participants, commit to a series of priority actions for implementation prior to and beyond the High Level Forum in Busan. This consensus statement marks a *shift to an approach which is demand-driven and results focused, owned by the country, and which builds on existing capacity*.

- *Capacity development is not an afterthought.* We will make sure that CD is at the heart of all significant development efforts. We will involve state and non-state actors (parliaments, media, civil society), and facilitate coalitions of local agents to drive change.
- *Capacity development is strategic for the achievement of development results and accountable institutions.* It must deliver short, intermediate and long term results, recognizing tangible and less tangible (soft) dimensions. Short term results could include a strengthened coalition among actors to implement new policy initiatives or develop new skills to generate quick impact. Intermediate results could include improved institutions, better policy environments, and higher competences of stakeholders involved in development. Longer term results such as improved performance of a water utility or better quality of learning outcomes are examples of practical results that are indispensable to wider, sustainable, development impact.
- *Domestic leadership of capacity development is essential.* We will align CD efforts behind a country's vision for development and key deliverables within a national strategy. Without effective control of the process, a country will be unable to align resources for CD to its key priorities, and sustainable improvements in capacity will be almost impossible to achieve.
- *Existing capacities should be the backbone of any capacity development initiative and must not be undermined.* We will act to minimize distortion of incentives and labour markets, particularly in fragile and conflict affected states, and will strengthen country systems while gradually phasing out, and using very selectively, parallel units.
- *Systematic learning on what works and what doesn't is key to improved capacity.* We will invest more in learning and knowledge networks, focusing on mutual learning through partnerships with middle-income countries, learning from evaluation, and South-South.
- *Supply-driven technical co-operation rarely builds sustainable capacity.* We will support demand-led, transparent technical co-operation tailored to country context, with a focus on peer-based, flexible and long-term partnerships, designed to achieve results.
- *Capacity development is a top priority for all partner countries and especially countries affected by fragility.* We will work with the g7+ and the International Dialogue Group to develop a protocol for adoption in Busan. This will guide effective use of limited development resources and assist in delivering critical results in the short and longer term. We commend the g7+ for showing leadership in defining CD as a priority.

Cairo, 29th March 2011

Annex 3

Capacity Development in Aid Business Processes: Getting it Right!(Reproduced from *Issues Brief 9*, January 2011)**CONSULTATION HIGHLIGHTS**

There is a broad consensus today on the importance of CD for achieving aid effectiveness and development goals, and on the importance of local ownership of capacity development processes. Therefore, this consultation focused on policies and operational practices within the control of development partner agencies that support greater local ownership of CD efforts. Discussions explored the dilemmas and constraints faced when using a CD lens in aid business processes. Key issues raised and statements made during the event follow.

The challenge of moving from concepts to practice. There is widespread interest in CD across aid agencies and partner countries as well as a consensus on the basic meaning of the concept – particularly within the framework of the Paris Declaration (PD) and Accra Agenda for Action (AAA). However, a fundamental gap remains between theory and practice in the way development partners address CD. Often, the conceptual consensus on CD contrasts with the challenges of making CD principles operational. These include the tendency to pursue linear planning – which limits space for flexibility and adaptability of CD support to the local context or the need to show ambitious time-bound results, often focused on donor deliverables rather than longer-term, local CD impact. Consensus is growing on the importance of acknowledging and addressing more openly these dilemmas - as well as the recognizing that there are no easy solutions.

Taking partner country ownership seriously... not that easy in practice. Partner country ownership is a prerequisite for sustainable CD. Ownership implies:

- ✓ that partner country stakeholders commit with critical resources (leadership, financial resources, staff, etc...) and
- ✓ that development partners increase flexibility and adaptability in procedures and processes so as to allow partner countries to take a greater leadership role.

Ownership goes beyond partner country central governments; it also includes decentralized structures such as local authorities as well as civil society, private sector, and other relevant non-state actors. Despite a widespread consensus on the importance of promoting partner country ownership, practical progress often remains limited. Development partners face multiple system constraints in making this ownership operational, including accountability pressures that might lead to risk aversion and a preference to use supply-driven arrangements that leave little space for ownership. For example, contract procedures may limit the possibility for partner country stakeholders to play an active role in selecting and managing technical advisors as well as limit the use of local and regional resources. Similarly, results frameworks that focus on short-term deliverables for accountability and disbursement purposes do not provide sufficient timeframes for strengthening ownership.

Transparency on costs. The growing emphasis on ownership of CD processes increases the importance of promoting transparency and mutual accountability of CD investments – in terms of costs and results. Lack of transparency about partner country CD investments may act as deterrent for development partners to support ownership of CD processes. Similarly, the provision of technical assistance or other type of support perceived as “free” – with neither financial nor more indirect opportunity costs for partner countries - can undermine, rather than support, partner country ownership. Jointly established accountability mechanisms

that ensure transparency on results and costs from both sides - partner countries and development partners – can enhance ownership as well as effectiveness of CD processes.

Capacity development demands support from the top. It is essential to ensure clear appreciation of and support for the importance of CD at the top level of aid agencies and partner country governments. So far, the CD debate has not reached top level decision-makers adequately and often has been confined to CD experts and practitioners. Documentation of the evidence of CD processes, progress and results is crucial to “make the case” up to the top management level and across stakeholders. Also, promotion of broader and more inclusive CD discussion, beyond a technical approach, can help to make CD an explicit political priority. However, some challenges will need to be addressed. Assessment and evaluation of the impact of CD interventions beyond narrow deliverables is a methodological challenge across development partners and partner countries. This is especially so because change and capacity results often are of a process or less tangible nature. Results frameworks and reporting requirements need to allow for a sequential approach through the use of short term process indicators and milestone measures to document progress and gradual changes towards long term objectives.

Dilemmas around CD are especially acute in fragile situations. Dilemmas around CD are especially acute and difficult in fragile situations. They require special flexibility by all partners, listening skills and knowledge of context to allow for adaptive response to constraints and emerging opportunities. The use of the term “resilience” was found to be a useful concept that embraces sustainability and provides reference to a credible exit perspective for donors in the early stages of country engagement. In practice, political and time constraints can force a heavy reliance on technical co-operation (secondments, international experts, training, or establishment of parallel implementation arrangements) and lead to a risk of even doing harm and undermining – rather than supporting – existing capacities. In general, risk acceptance and management are inherent aspects of development assistance; especially in fragile situations, the potential for behaviour that too risk adverse should be acknowledged as it can lead to limited flexibility and engagement of local actors.

The importance of public sector reforms in partner countries. On-going CD discussions focus strongly on supporting the development of competent and resilient institutions in partner countries. “Strengthening the capacities of competent and resilient institutions” may resonate as a more concrete concept than the notion of CD, sometimes perceived as too abstract. However, context matters for the development of resilient institutions. Partner countries often face the challenge of addressing institutional reforms needed for CD, particularly in the public sector – where drivers and constraints cannot be easily modified in the short- and medium-term. Country and development partners need to do more to learn about how to design and support, respectively, realistic public sector reforms in key areas such as public financial management and procurement, civil service reforms and appropriate performance management systems that reward forward looking and CD-oriented leadership and management.

Sectors as entry points for CD strategies...from the beginning. Effective CD strategies must be integrated into sector policies, plans and programs from the beginning – when sector strategies are designed. Sector CD support must take into consideration the wider environment in which sector institutions operate - including the structural factors shaping performance as well as the capacity of and incentives in core country systems to support CD in a given sector (including public financial management, procurement, statistics).

Reforming technical cooperation (TC): we can do more. There is a widespread recognition today – supported by a solid evidence - that technical cooperation (which traditionally includes technical assistance, training and educational grants) often has been less than

effective in promoting CD. Key challenges to its effectiveness include its supply-driven nature and failure to understand and adapt to local context constraints. Local expertise and South-South cooperation options often are not fully valued when they could be viable alternatives. Furthermore, technical cooperation, however good, might not be enough to address embedded constraints to capacity development. Despite a general consensus, progress in promoting TC reforms has been relatively slow. More can be done to ensure that technical cooperation supports genuine CD – demand-driven and with partner countries playing a strong role in its sourcing, contracting and management. This also is likely to result in increased use of regional, national and local resources and expertise, and in South-South cooperation that more easily establishes horizontal peer relations. Although harmonization and coordination per se do not lead to sustainable CD, successful examples exist of pooled funds for technical cooperation that use partner systems and promote ownership. As existing incentives can cause development partners and international consultants to push for supply-driven and Northern-led provision of technical support, there is a need for more transparency and documentation of technical advisor profiles and costs.

On-going TC reform initiatives

- ✓ European Commission efforts to make TC more effective for CD (www.capacity4dev.eu);
- ✓ AusAID efforts to reform technical assistance⁷;
- ✓ Ongoing international effort to reform training (<http://capacitydevelopment.ning.com/>)⁸.

KEY MESSAGES TO BUSAN AND THE WAY FORWARD

A set of messages, summarized in the table below, emerged from the discussions and benefited from significant support across participants. Important considerations were also made on the way forward to continue this dialogue and to shape joint South-North efforts on CD “on the road to Busan” and beyond.

The world is changing. The context in which Busan will take place is a significantly changed from that of Paris or Accra. A number of emerging actors - including the BRICS3 and the G20 process - are having a significant impact on the landscape of development cooperation. Bilateral and triangular cooperation on the part of the emerging economies, especially China, is having a significant impact on the way development cooperation is shaping up for the future. Similarly, South-South cooperation is becoming increasingly relevant⁴. These new developments will help shape the nature of development cooperation and the context in which CD interventions take place.

An integrated rather than parallel CD debate. In order for the CD debate to gain visibility and importance outside the CD expert community, it is imperative to share and integrate CD insights and lessons into ongoing discussions on aid effectiveness and broader development issues, such as the International Dialogue on Peace-building and State-building⁵, Cluster B on “Country Systems” (Working Party on Aid Effectiveness) and the on-going preparations of the HLF in Busan more generally. Other “non-state” actors, such as civil society and the private sector - which are playing an increasingly important role in CD – should be engaged in the ongoing debate on good practice.

A South-North dialogue. Overall, all stakeholders need to continue to engage in a South-North dialogue over the vision for CD in such a rapidly changing world, on incentives for effective CD planning and practice, and on approaches to promote Southern ownership of CD processes. The event “CD in Aid Business Processes: Getting it Right” wrapped up with commitment to engage in this process through

⁷ For more information, see OECD/DAC Issue Brief 5 “Donor Capacity Development Innovation: Australia”(December 2009). Available at <http://www.oecd.org/dataoecd/63/54/44338594.pdf>

⁸ See also *Seeking Better Practices for Capacity Development: Training & Beyond* (<http://www.oecd.org/dataoecd/35/53/44696077.pdf>)

Busan and beyond. Building up on this momentum, the key messages outlined below will feed into a more Southern-led event to be held Cairo on 28-29 March 2011, hosted by the Egyptian Government with the support of the OECD and Japan-JICA.

Key messages emerging from the consultations	
Key message	The way forward
Development partners need to address their incentives to put CD into practice	<ul style="list-style-type: none"> ✓ Increase the recognition of CD skills and reward CD efforts in staff performance appraisals. Promote a culture of CD as an overarching approach and vision for all development support rather than a technical competence only. ✓ Listen more carefully to the demand side and to partner country stakeholders' perspectives on how development partners should do things differently. ✓ Ensure more transparency in costs of providing CD support (e.g. report publicly the nationality and costs of technical advisors; make consultant reports available in accordance with legislation).
Development partners should work on "how" to ensure better delivery of CD support	<ul style="list-style-type: none"> ✓ Tackle procedural and business cycle issues that hinder effective CD support. ✓ Maximize partner country involvement in designing and managing CD support (strategy design, preparation of ToR, selection of support providers, performance evaluation, and harmonization with local pay norms). ✓ Implement Paris Declaration commitments to reduce free standing PIUs and invest in helping to build competent local systems.
Enhance CD planning and implementation in a sector context	<ul style="list-style-type: none"> ✓ Sectors provide pragmatic entry points to engage in CD processes, but it is fundamental to consider and engage in the broader national framework - sector "silos" should be avoided. ✓ Sector development strategies can provide the basis to identify CD priorities and the most appropriate CD support (without waiting for the perfect sector strategy- often "good enough" is as good as it gets). ✓ Effective support to CD requires getting the right mix of CD and sector competencies to fuel change. Development partners must be aware of the influence their practices, presence and agendas might have on sector priorities and decision-making.
Revise CD results frameworks to allow for more flexibility and adaptation to appropriate CD approaches and process	<ul style="list-style-type: none"> ✓ Strengthen methodologies for shaping pragmatic result and indicator frameworks that integrate CD results, that are operationally focused and that explicitly leave room for adaptation during implementation. ✓ Integrate and strengthen participatory monitoring and evaluation frameworks and procedures into national and sector policy cycles (planning, budgeting) and reduce donor driven processes. ✓ Improve downward and domestic accountability by supporting demand-side players (e.g. media, CSOs, private sector, etc.).