

EDITED BY: SAKIKO FUKUDA-PARR • CARLOS LOPES • KHALID MALIK

EXECUTIVE SUMMARY

# **CAPACITY FOR DEVELOPMENT**

**NEW SOLUTIONS  
TO OLD PROBLEMS**

**EARTHSCAN**



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# ***CAPACITY FOR DEVELOPMENT***

## ***NEW SOLUTIONS TO OLD PROBLEMS***

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Edited by: Sakiko Fukuda-Parr • Carlos Lopes • Khalid Malik

**EARTHSCAN**

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# CAPACITY FOR DEVELOPMENT: CONTENTS

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**foreword** vii

*Mark Malloch Brown*

**editors' acknowledgements** ix

---

**overview**

**Institutional innovations for capacity development** 1

*Sakiko Fukuda-Parr, Carlos Lopes, Khalid Malik*

---

## **PART 1: capacity and development**

**1.1 Towards a normative framework: Technical cooperation, capacities and development** 23

*Khalid Malik*

**1.2 Autonomy-respecting assistance: Towards new strategies for capacity-building and development assistance** 43

*David Ellerman*

**1.3 Technical cooperation and institutional capacity-building for development: Back to the basics** 61

*Devendra Raj Panday*

**1.4 Civic engagement and development: Introducing the issues** 85

*Khalid Malik and Swarnim Waglé*

**1.5 Social capital and industrial transformation** 101

*Sanjaya Lall*

---

## **PART 2: ownership**

**2.1 Should we mind the gap?** 121

*Carlos Lopes*

**2.2 Incentives, governance and capacity development in Africa** 147

*Thandika Mkandawire*

**2.3 Power, networks and ideology in the field of development** 169

*Gustavo Lins Ribeiro*

---

## **PART 3: knowledge**

*“Scan globally, reinvent locally” (Joseph E. Stiglitz)*

- 3.1 The network age: Creating new models of technical cooperation** 185  
*Sakiko Fukuda-Parr and Ruth Hill*
- 3.2 Integrating local and global knowledge, technology and production systems: Challenges for technical cooperation** 203  
*Juana Kuramoto and Francisco Sagasti*
- 3.3 Technical cooperation and knowledge networks** 229  
*Stephen Denning*
- 3.4 Developments in private sector knowledge-based entrepreneurship in the South** 247  
*Sunil Chacko*
- 3.5 Knowledge of technology and the technology of knowledge: New strategies for development** 271  
*Joseph E. Stiglitz*

---

**about the authors** 281

# *foreword*

Developing capacity has been a fundamental component of international development assistance since the Marshall Plan. The huge success of that far-sighted programme, however, inadvertently generated an overly simplistic and optimistic view of what worked: Simply transfer capital and know-how to other countries, the thinking went, and swift economic growth will follow.

As we have learned over the past few decades, however, this view ignored—or at least underestimated—the importance of local knowledge, institutions, and social capital in the process of economic and social development. And for most of the Cold War, the problem was exacerbated by the phenomenon of aid driven by politics rather than results. Despite some significant achievements, successful and sustainable capacity development has remained an elusive goal.

Over the past decade, there have been several attempts to tackle these problems directly, most notably in the Conference on Technical Cooperation co-sponsored by the Organisation for Economic Co-operation and Development/Development Assistance Committee (OECD/DAC), the United Nations Development Programme (UNDP) and the World Bank in June 1994. That has in turn helped generate a welcome new emphasis on the need for development to be “locally owned”: to ensure that development cooperation does not seek to do things for developing countries and their people, but with them.

There have been some notable successes in trying to make these principles work in practice but overall progress has so far been uneven.

If capacity development initiatives are to have a pivotal role in helping developing countries meet the challenge of the 21st century, in particular the Millennium

Development Goals, we now need to take this process a step further, looking more closely at the underlying assumptions about:

- the nature of development as a process of societal transformation, and the fundamental importance of indigenous capacity for this transformation;
- the nature of capacity and capacity development, including individual skills, institutions and societal capacities;
- the nature of knowledge, where it is located and how it can or cannot be transferred and shared; and
- the nature of the aid-recipient relationship, which has profound consequences for success and failure in developing lasting capacities.

The United Nations system was a pioneer in the field of technical cooperation, and capacity development is its central mandate. UNDP has long played an important leadership role, both as a source of technical cooperation funds and advisory services, and as the home of innovative intellectual research and analysis on these questions. This book, which is part of a broader research effort that UNDP is carrying out with the support of the Government of the Netherlands, is aimed squarely at helping stimulate discussion around this important issue. As such it should be seen as the beginning of a process of debate and dialogue around the broader issue of improving effective capacity development.

The book contains a range of views from practitioners, academics and policy-makers about what has gone right with technical cooperation in recent years, what has gone wrong, and how to do it better and perhaps very differently. In so doing, it focuses on the questions of indigenous capacity, ownership, civic engagement and new possibilities for knowledge-sharing, for which the revolution in information and communications technologies offers ample opportunities. The book draws from the operational experience, policy analysis and intellectual work of UNDP, brought to bear through the three lead authors from the Evaluation Office, the Bureau for Development Policy and the Human Development Report Office.

Not everything in the book is new. Taken together, however, its conclusions may help point the way to a genuinely new vision of capacity development that is firmly founded on genuine ownership by the ultimate beneficiaries of development efforts: the governments and citizens of developing countries.



**MARK MALLOCH BROWN**

*Administrator*

*United Nations Development Programme*

# *overview*

## **INSTITUTIONAL INNOVATIONS FOR CAPACITY DEVELOPMENT**

***SAKIKO FUKUDA-PARR, CARLOS LOPES, KHALID MALIK<sup>1</sup>***

The world at the beginning of the 21st century offers sights, sounds and experiences that continue to astonish anyone born even a few decades ago. Space and time have been shrunk by a multitude of communications devices. Geneticists decode and tinker with the alphabet of life. And millions of people each year casually soar across continents in search of work, pleasure and new experiences. Billions of people have the capacity to know and do things of which their parents or grandparents could scarcely dream.

Even more surprising—and disturbing—are the enduring scenes of poverty. Billions more people have far narrower horizons. They may see jetliners arcing across the sky, but they themselves scratch a living with simple tools from hard and unyielding land, or scavenge in city streets for the empty bottles or plastic bags that might be sold to buy the next meal. Certainly they have many of the universal human joys and excitements, and they often enjoy a rich cultural inheritance that many modern communities have allowed to slip away, but their capacities to know, explore and enjoy fully their own potential, let alone the wider world, are severely constrained.

Most shocking of all perhaps, these scenes, both of possessing every opportunity and confronting absolute exclusion, are frequently juxtaposed and intermingled. Even the world's richest cities have dark corners of deprivation, while enclaves in the

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<sup>1</sup> This chapter is written by the authors in their personal capacities. It does not reflect the views of the United Nations Development Programme, of which they are staff members.

poorest countries house some of the world's wealthiest people. And running through all these scenes are threads of resentment and violence that can ignite at any time—around the next corner, or across the country, or across the world.

The world as a whole has made considerable progress over the past 50 years. Average life expectancy, for example, has increased by 10 to 20 years except where HIV/AIDS has made inroads. And the proportion of the world's people living in income poverty has fallen. But progress is not inevitable or universal. While some regions, countries and continents have propelled themselves in new directions, others languish at low-level equilibriums not far above the margins of survival. Since 1990, the number of income-poor people has increased every year in sub-Saharan Africa, South Asia, and Latin America and the Caribbean.

The complexities and frustrations of development have generated a voluminous literature, along with numerous institutions and organizations suggesting change and new directions. Many of these insights were embodied from the beginning of the 1990s in the concept of human development, which looked beyond a simple fixation on economic growth. Instead, it presented a broader and more inclusive view of people's capacities—not merely to gain a higher income, but to enlarge their choices, to know more and do more, and to have the health, the skills and the vigour to lead full and satisfying lives.

Though the objectives of development have been articulated more clearly than in the past, the mechanisms for achieving them have become more elusive. When the idea of “development” took hold in the middle of the last century, it seemed possible that all the poor countries had to do was to emulate the rich—following roughly the same development path towards a similar destination. Indeed, it was thought that the poorer countries should be able to do this even more rapidly. First, they could take advantage of the experience of their predecessors—by adopting the same proven measures and technologies. Second, they could also benefit from aid flowing from rich to poor countries—not just in the form of grants and loans to help build infrastructure (the roads, the factories, the schools and the hospitals) but also in the form of expertise, acquiring the information, skills and knowledge needed to run a modern industrial society.

As a result, thousands of experts and consultants fanned out around the world, taking up residence in ministries and project offices, partly to supervise aid projects, but also to plant their skills and expertise in this fertile new environment by working alongside local counterparts. Some of these expatriates arrived as part of “free-standing” programmes—aiming to develop capacities in communities and societies, in health, say, or education. Others arrived as parts of larger programmes—travelling along with capital investments to ensure that new installations ran as smoothly as possible and trying to transfer the skills needed to operate and maintain them.

The underlying assumption was that developing countries lacked important skills and abilities—and that outsiders could fill these gaps with quick injections of know-how. The vocabulary for this activity changed over the years. For the first few decades,

aid as a whole was termed “development assistance,” and that part of it concerned with the transfer of skills and systems was called “technical assistance.” But development practitioners worried that “assistance” implied—and indeed reflected—inequality and dependency rather than a positive spirit of partnership. After a couple of decades, therefore, they started to refer to international aid as “development cooperation,” and many correspondingly referred to knowledge transfer as “technical cooperation,” although others, including the World Bank, still refer to this as “technical assistance” when it accompanies capital investment. It would also have been useful to find a substitute for the word “technical,” which suggests an emphasis on science and technology—wrongly, for most cooperation has been, and is increasingly, in non-technological areas such as education, governance and judicial reform.

Much of this development cooperation and technical cooperation seemed likely to succeed. First, there had been the spectacular success of the Marshall Plan, without which European countries would have had much greater difficulty in revitalizing their economies and rebuilding their nations after the devastation of World War II. Second, a number of poorer countries, particularly the East Asian Tigers, made selective use of development cooperation to help launch themselves on decades of export-led growth. But elsewhere, and especially in recent years, the uneven record of countries in achieving economic and social transformation has left many questioning how effective development cooperation has been and can be.

Of all the elements of the development cooperation package, developing national capacity has emerged as the one particularly elusive goal. Thousands of people have been trained and thousands of “experts” fielded. Educational attainments have increased dramatically, to the point where unemployed graduates resort to driving taxis while others join the “brain drain.” Yet development undertakings have constantly faced a lack of necessary skills and weak institutions. Donors can ship out four-wheel-drive vehicles, or textbooks, or computers; they can dispatch expatriate experts, whether on long-term secondment or on short-term consultancies. But they have not really appeared to transfer knowledge—or at least not in the catalytic way that might ignite a positive chain reaction throughout developing societies. Foreign experts certainly have proved that they can get the job done—helping to build dams or install irrigation systems. And they can run multiple seminars and courses that improve the individual skills of thousands of people. However, the capacity of local institutions and of countries as a whole has still not appeared adequate to meet the challenges of development. There have been positive micro-improvements, but not the kind of macro-impacts that build and sustain national capacity for development.

Donors have tried to address this issue, but mainly through drawing up cooperation programmes emphasizing the need for more technical cooperation, and new rounds of experts and training (Berg and UNDP, 1993; OECD, 1987). Technical cooperation expenditures totalled US \$14.3 billion in 1999, according to the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD). This is a large amount, almost double the sum in 1969. If personnel

and training in investment and other projects are included, the figure would be even larger, \$24.6 billion (Baris et al., 2002).

Yet behind the rising figures lies the fact that over the past three decades, priorities have changed. Technical cooperation resources have actually declined for low-income countries, for the Least-Developed Countries (LDCs) and for sub-Saharan Africa—as reflected in total disbursements, per capita disbursements and as a proportion of overall official development assistance (see Figures 0.1-0.4)—even as these resources increased for the high-income countries, and for Asia and Eastern Europe. This is a disturbing trend. Countries most in need of capacity development are receiving less and less help. Even worse, as the world becomes increasingly dominated by a “knowledge economy,” and globally integrated into a single market, developing countries need even more capacity to compete. Poor countries need more, not less technical cooperation, and they need forms of cooperation that are most effective in developing capacity. These technological, economic and social changes in the world offer new opportunities for capacity development that warrant a new look at technical cooperation—its past problems and future solutions.

Over the last two decades, concerns over the effectiveness of technical cooperation have provoked an almost constant process of reassessment. A number of donor evaluations in the 1980s led to debates in the donor community, most notably in the DAC, which held a series of seminars on this subject. In 1991, the committee issued a document entitled *Principles for New Orientations in Technical Co-operation*, which called for changes in existing practices. A high-level seminar was organized in 1996.

At the same time, the United Nations Development Programme (UNDP) launched a programme with over 30 governments in Africa to review the effectiveness of technical cooperation, and establish national policies and priorities. The originality of this process was that it was a national programme of reflection leading to adoption of a coherent national policy and priorities. Called the National Technical Cooperation Assessment and Programmes (NaTCAP), the process also provided unique insights, analyses and data on the successes and failures of technical cooperation, as seen from the recipients’ points of view. The results of these experiences were published in the 1993 book *Rethinking Technical Cooperation: Reforms for Capacity-Building in Africa* (Berg and UNDP, 1993). Most of the country reviews reached similar conclusions: that technical cooperation had proven effective in getting the job done, but less effective at developing local institutions or strengthening local capacities; and that it was expensive, donor-driven, often served to heighten dependence on foreign experts, and distorted national priorities. As a result of these and other criticisms, donors worked with recipients to redesign many of the aid programmes—shifting away from the massive presence of expatriate teachers, engineers and other personnel, for example, and relying more on nurturing national professionals.

Through the 1990s, there was another stream of dialogue on developing better relationships between donors and recipients, and a growing concern with lack of “ownership” as an important element that undermined the effectiveness, not only of

technical cooperation, but also of other forms of aid, especially structural adjustment lending (World Bank, 1998a). The donor community tried to build more balanced relationships with recipients—putting the emphasis on “partnership” and “policy dialogue.” Through the 1990s, donors also gave a higher priority to “participation”—working not just with government agencies but also with nongovernmental organizations (NGOs) and other parts of civil society, as well as helping to create the conditions under which the private sector might flourish.

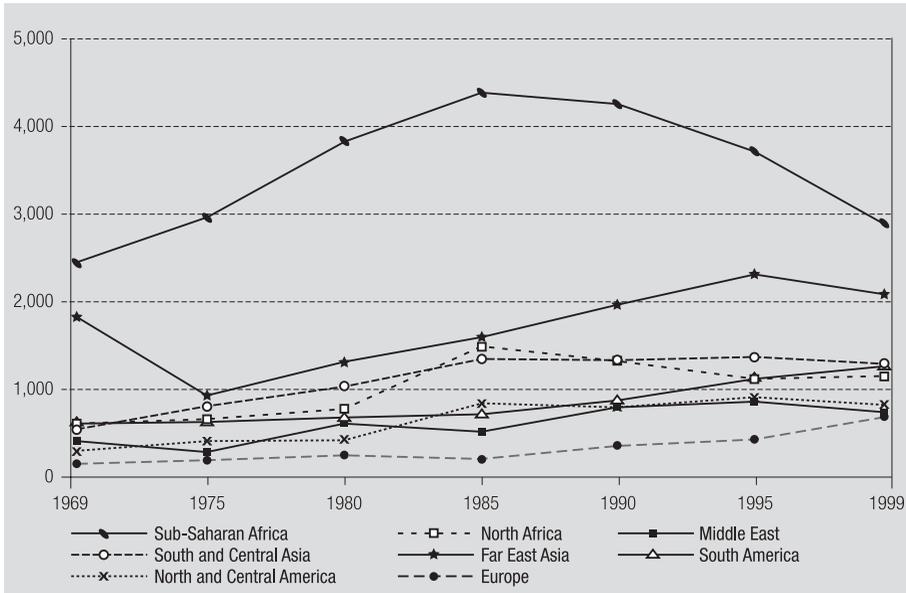
In 1994, for example, the OECD/DAC agreed on “new orientations for development assistance,” emphasizing the need for local control and long-term capacity development, followed by a call for a new partnership to reshape the 21st century. More recently, the World Bank and the International Monetary Fund (IMF) have moved from top-down structural adjustment programmes to a more participative process that brings local stakeholders together to help define national social and economic policies for poverty reduction. The resulting Poverty Reduction Strategy Papers (PRSPs) are then used as the basis for decisions on aid and debt relief.

During the 1990s, many aid agencies also introduced results-based management (RBM). Recent comparative evaluation studies suggest that aid agencies have been successful in achieving better results over time. UNDP’s *2001 Development Effectiveness Report* shows that the percentage of projects considered effective increased from 35 per cent in 1992-1998 to 60 per cent in 1999-2000. Similarly, the Department of International Development (DFID) of the United Kingdom also showed an upward trend from 66 per cent in the 1980s to 75 per cent in the 1990s of projects rated as satisfactory or better in terms of achieving their immediate objectives. At the World Bank, the percentage rated satisfactory or better with respect to outcomes increased from 72 per cent in the early 1990s to 81 per cent by the end of the decade (UNDP, 2001a).

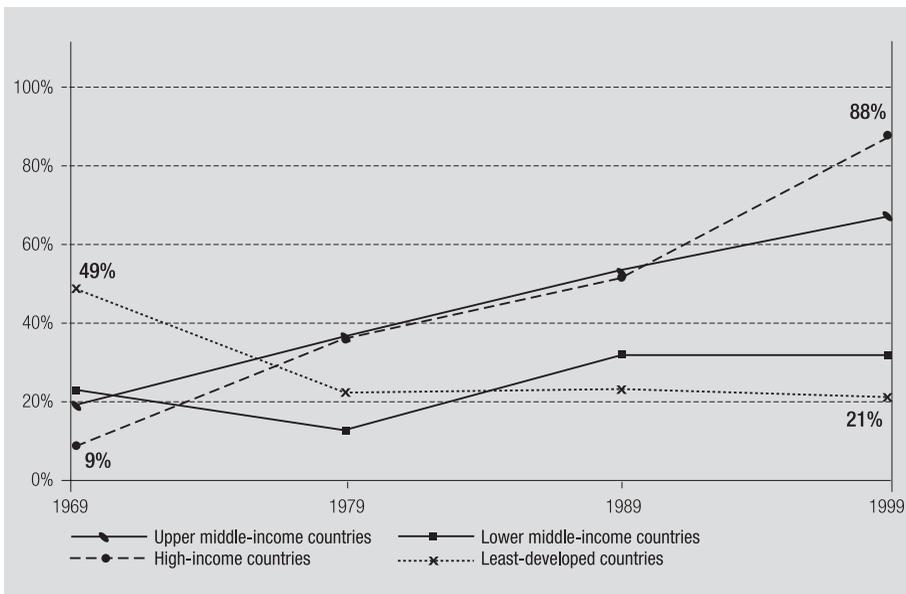
Even so, the overall macro-impact of technical cooperation on developing national capacities remains worrisome. Research and country studies carried out for the project Reforming Technical Cooperation for Capacity Development confirm that many of the recommendations in the 1991 DAC Principles and *Rethinking Technical Cooperation* have not been implemented, and that many of the problems remain (UNDP/Reforming Technical Cooperation papers). Technical cooperation is still frequently criticized for:

- *Undermining local capacity:* Rather than helping to build sustainable institutions and other capabilities, technical cooperation tends to displace or inhibit local alternatives.
- *Distorting priorities:* The funding for technical cooperation generally bypasses normal budgetary processes, escaping the priority-setting disciplines of formal reviews.
- *Choosing high-profile activities:* Donors frequently cherry-pick the more visible activities that appeal to their home constituencies, leaving recipient governments to finance the other routine but necessary functions as best they can.

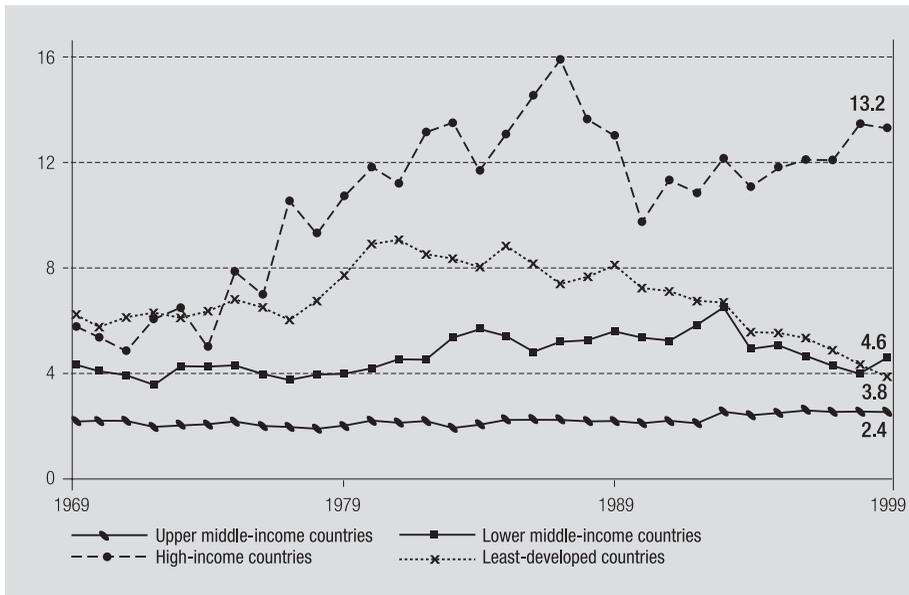
**FIGURE 0.1: TOTAL TECHNICAL COOPERATION BY REGION (1998 US \$ MILLIONS)**



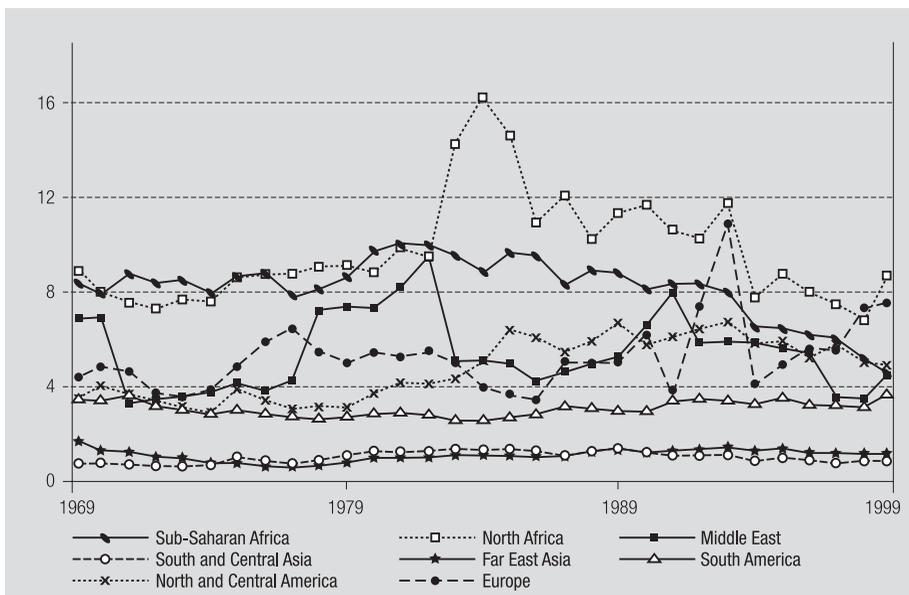
**FIGURE 0.2: TECHNICAL COOPERATION AS A PER CENT OF OFFICIAL DEVELOPMENT ASSISTANCE BY INCOME CATEGORY**



**FIGURE 0.3: PER CAPITA TECHNICAL COOPERATION BY INCOME CATEGORY (1998 US \$)**



**FIGURE 0.4: PER CAPITA TECHNICAL COOPERATION BY REGION (1998 US \$)**



- *Fragmenting management:* Each donor sends its own package of funds and other resources for individual programmes, and demands that recipients follow distinctive procedures, formats and standards for reporting, all of which absorb scarce time and resources.
- *Using expensive methods:* Donors often require that projects purchase goods and hire experts from the donor country, although it would be far cheaper to source them elsewhere.
- *Ignoring local wishes:* The donors pay too little attention either to the communities who are supposed to benefit from development activities, to the local authorities, or to NGOs, all of whom should comprise the foundation on which to develop stronger local capacity.
- *Fixating on targets:* Donors prefer activities that display clear profiles and tangible outputs. Successful capacity development, on the other hand, is only intrinsically included.

Why do these old problems persist? We need to examine further the basic assumptions that underlie the old model of technical cooperation, which has remained unchanged to this day—including assumptions about the nature of development, the role of capacity within development, the aid-donor-recipient relationship, and knowledge and capacity.

The old model has been based on two mistaken assumptions in particular. The first is that it is possible simply to ignore existing capacities in developing countries and replace them with knowledge and systems produced elsewhere—a form of development as displacement, rather than development as transformation. The second assumption concerns the asymmetric donor-recipient relationship—the belief that it is possible for donors ultimately to control the process and yet consider the recipients to be equal partners.

## **Development As Transformation: The Central Role of Local Capacity**

For all the universal theories about development, and the upheavals caused by wars and revolutions, most countries and societies have evolved organically, following their own logic and building on their own resources and strengths. So the assumption that developing countries with weak capacities should simply be able to start again from someone else's blueprint flies in the face of history. For these countries too, the most natural process is development as transformation. This means fostering home-grown processes, building on the wealth of local knowledge and capacities, and expanding these to achieve whatever goals and aspirations the country sets itself (see Part 3, Chapters 2 and 5).

What is capacity? In this book, it is defined simply as the ability to perform functions, solve problems, and set and achieve objectives. Each society has the capacities

that correspond to its own functions and objectives. Non-industrial societies, for example, have few formal institutions, but they do have highly developed skills and complex webs of social and cultural relationships that are often difficult for outsiders to comprehend. Most important of all, by a process of cooperative and cumulative learning, typically passed on orally, they have worked out how to survive in often difficult and harsh conditions. Modern post-industrial societies have their own set of capacities, although they seem very different. They too have complex social structures, but tend to have more diverse and specialist activities, and rely on extensively codified knowledge bases, myriad organizations and a plethora of specialist skills, many of which can only be acquired over years of education and training.

As countries transform themselves, they have to develop different capacities. But it is important to recognize that they do not do so merely as an aggregate of individuals. National capacity is not just the sum total of individual capacities. It is a much richer and more complex concept that weaves individual strengths into a stronger and more resilient fabric. If countries and societies want to develop capacities, they must do more than expand individual human skills. They also have to create the opportunities and the incentives for people to use and extend those skills. Capacity development thus takes place not just in individuals, but also between them, in the institutions and the networks they create—through what has been termed the “social capital” that holds societies together and sets the terms of these relationships (see Part 1, Chapters 1 and 5). Most technical cooperation projects, however, stop at individual skills and institution-building; they do not consider the societal level.

### Three Levels of Capacity Development

Capacity development needs to be addressed at three levels: individual, institutional and societal.

- *Individual:* This involves enabling individuals to embark on a continuous process of learning—building on existing knowledge and skills, and extending these in new directions as fresh opportunities appear.
- *Institutional:* This too involves building on existing capacities. Rather than trying to construct new institutions, such as agricultural research centres or legal aid centres, on the basis of foreign blueprints, governments and donors instead need to seek out existing initiatives, however nascent, and encourage these to grow.
- *Societal:* This involves capacities in the society as a whole, or a transformation for development. An example is creating the kinds of opportunities, whether in the public or private sector, that enable people to use and expand their capacities to the fullest. Without such opportunities, people will find that their skills rapidly erode, or become obsolete. And if they find no opportunities locally, trained people will join the brain drain and take their skills overseas.

All of these layers of capacity are mutually interdependent. If one or the other is pursued on its own, development becomes skewed and inefficient.

One source of confusion here is that capacity development is typically also understood as human resource development. This is unfortunate. Capacity development is a larger concept. It refers not merely to the acquisition of skills, but also to the capability to use them. This in turn is not only about employment structures, but also about social capital and the different reasons why people start engaging in civic action.

This more rounded view of capacity development contrasts with previous convictions that all that was required for the poorest countries to move forward was to slim down their public administrations and to reduce market distortions—to “get the prices right.” This may have balanced national budgets, but it also tended to erode local capacity. There is an advantage to getting prices right, but it is even more important to get the capacities right (see Part 1, Chapter 1).

### **Capacity and Productive Processes**

Capacity—including knowledge and technology—in getting things done also needs to be integrated into the knowledge systems and productive activities and structures that exist in any society. In developing countries, there are often two systems of knowledge and production operating in parallel: indigenous and modern. When new knowledge is not integrated into indigenous knowledge or production systems, it fails to be useful, despite its potential (see Part 1, Chapter 5; and Part 3, Chapters 2 and 5).

Of course, not all capacity development takes place through the public sector or technical cooperation. All countries are constantly engaged in multiple processes of capacity development, in the public sector, civil society and the private sector. Private enterprises, for example, are constantly transferring and modifying systems and technologies, and developing the capacities of different departments and subsidiaries. This often involves exchanging people and resources between affiliates in industrial and developing countries. But the private sector develops capacity according to the dictates of need and performance. The dynamics of this are complex and often a matter of trial and error, but the ultimate rewards and disciplines are clear. If capacity development works at both the individual and the corporate levels, this creates the prospect of higher productivity and higher profit. If it fails, there is the risk of takeover or bankruptcy.

### **The Asymmetric Relationship**

The dynamics of capacity development through technical cooperation are very different. And this leads to the second mistaken assumption that has underlined technical cooperation in the past—that it is based on an equal partnership between donor and recipient. Instead, the relationships have tended to be more asymmetric, discontinuous and distorted. In reality, development institutions operate as bureaucracies of different size and complexity that exert power and domination (see Part 2, Chapter 3). The development industry creates *objects* out of development initiatives rather than

*partners*. This is exemplified by the language of development, which is filled with terms of hierarchy and inequality: aid, developed and developing, donors and recipients, etc. (ibid.). The shift of control and power from the intended beneficiaries of development interventions to the providers of aid has naturally resulted from the fact that the financing of development interventions comes inevitably from the supplier and not the receiver. All parties are, of course, fully aware of the necessarily asymmetric relationship, but the old model of technical cooperation conveniently wishes this away and ignores the fact that this can be an obstacle to building partnerships. Although at the highest level, those involved may feel they are driven by shared development objectives, for most practical purposes the incentives and interests of the stakeholders—donors, consultants, governments and local communities—often diverge widely (see Part 2, Chapter 2).

### Donor Priorities

Donors will have a long-term vision of what they want to contribute to—a better health system, perhaps, or an efficient judiciary, or a more skilled civil service. At the same time, however, they remain accountable to their constituencies at home. They feel more comfortable, therefore, if they can point to visible activities—courses, training manuals, computer systems—which encourages a bias towards self-contained and pre-ordained packages. This may make the process more “manageable,” but it also closes off options for creative learning or incremental discovery.

Donors also want to retain as much control as possible and avoid accusations that hard-earned taxpayer funds are being squandered through inefficiency, incompetence or corruption. One way of achieving this kind of assurance has been to send expatriates as gatekeepers. In the past, donors have ensured that almost every development cooperation programme or project was escorted by a technical cooperation component. This seemed reasonable. There was little point in attempting to create a new infrastructure for a national vaccination programme, say, without ensuring that the necessary skills were in place to manage both the equipment and staff. But a strong technical cooperation component also offers crucial levers for control. When donors have consultants in place, even for a short term, they also have eyes and ears in situ—keeping them abreast of developments, and generating numerous reports and statistics. Donors have thus used technical cooperation to lubricate the cogs of a self-perpetuating engine that pumps large volumes of money to developing countries.

Donors have certainly addressed some of these problems. Nevertheless, many of the fundamental issues remain, and technical cooperation is driven more by donor supply than recipient demand (see Part 3, Chapter 3).

Nor are consultants likely to rock the boat. They have a strong interest in the status quo. Although they may vociferously lament the inadequacies of both donor and government paymasters, they are usually content to accept highly paid assignments in congenial locations. Consultants can justify their fees by doing their job well within its own limited terms, but they have little incentive to criticize the basic system. If they do, they will soon be replaced by more compliant staff (ibid.).

## **The Recipient Governments**

The recipient governments too find themselves locked into a cycle of dependency and conformity. Ministries of finance, for example, will be reluctant to reject billions of dollars worth of support and foreign exchange, even as their budgets are under attack from every direction—including from international financial agencies convinced that the best form of government is small government. In 1989, for example, for the countries of sub-Saharan Africa, excluding Nigeria, technical cooperation was equivalent to 14 per cent of government revenues. For ten countries, it was equivalent to at least 30 per cent.

Meanwhile, government departments that spend money on development are also enmeshed in ongoing relationships with donors. They may or may not agree with donors about priorities, but they will have a strong incentive to conform—or to promise to conform—to what donors propose. And the civil servants who work in these departments may also be wary of fully taking ownership if they believe this will create more work and possibly deprive them of some of the perks they use to supplement their often meagre salaries (see Part 2, Chapter 2).

These factors have two damaging impacts. The main one is that technical cooperation is ultimately not driven by demand, but by supply. This might succeed, but the odds are against it. The only people who will guarantee that resources are used well are those who are hungry for them. Thus, unless government officials really feel they need to know what is being said to them in one training course after another, they may do little more than transfer information from blackboards to notebooks.

But the donor-recipient relationship has a further and more insidious impact. Even when donors are offering something useful and the recipients have helped shape the decisions on how it might be delivered, the donor-recipient relationship too often leads to a lack of commitment by the recipient, and even to resentment, both of which are demotivating.

The healthiest relationship is where the country concerned has set its own priorities and has established its own momentum for societal transformation. At that point, it can seek external assistance and draw upon the resources it needs to meet those objectives, whether the resources come from the World Bank, Grameen Bank, UNDP, McKinseys, Transparency International or local NGOs.

Where such a relationship does not exist, donors will tend to fill the vacuum.

## **Turning the Process Inside Out: From Knowledge Transfer to Acquisition**

The issue of effective demand is also closely linked with what generations of teachers know about the basic mechanisms of learning. Teachers and trainers can offer information and ideas and different forms of knowledge codified in textbooks or handbooks. Technical cooperation has long been predicated on this kind of transfer, with the adviser analysing the knowledge gap and prescribing solutions that might

enable counterparts to improve their performance. The underlying premise is that poorer countries can simply adopt a template that has been refined over time in the richer countries. No need to reinvent the wheel.

To be sure, most people have acknowledged that this is at least partly wrong—that there have been inevitable misalignments and poor fits, and that there is a need for some local adaptations. What has not been appreciated, however, is just how catastrophically wrong the entire approach has been. The process really needs to be turned inside out, with the first priority being encouragement for recipients to initiate the process. This starts from a deep understanding of local knowledge and practice—assessing the capabilities and potential of individuals, institutions and the society as a whole, and working out ways to build on these incrementally. The process is also likely to be, in the broadest sense, a political one—appreciating the different interests involved and anticipating how conflicts might be resolved (see Part 1, Chapter 2; and Part 3, Chapters 2, 3 and 5).

This approach also resonates with a more realistic view of learning. Most teachers at any level will say that learning only takes place effectively when students have motivation and appetite. Indeed, some teachers would argue that they cannot transfer knowledge at all. The most they can do is create the conditions under which people can learn. They can certainly offer information. But knowledge is more than information; knowledge is something that learners have to acquire for themselves.

This may seem like a subtle distinction. And when it comes to some facts about the world this may be true. Take the information that malaria is transmitted by a mosquito, or that certain pesticides are appropriate for particular crops. In this case, a trainer or a book can state the fact, and the reader or the learner can immediately absorb it. But knowledge in its fullest sense involves more than the transmission of facts. Most useful knowledge is tacit—and at a deeper level (see Part 3, Chapter 3). This kind of knowledge, which enables people to size up new situations and take the appropriate action, cannot be delivered as a simple package. Rather, it has to be steadily absorbed, tested and modified. And this requires a constant process of willing acquisition. So unless the individual genuinely wants to learn, he or she will not be able to expand their capacities. Many education systems do still rely on teaching by rote and attempt to transfer knowledge by dint of forceful repetition. Some information thrown at pupils or trainees in this way will stick; many students will feel that what they are being offered is just what they need. But for most learners most of the time, such methods are irrelevant and wasteful.

This lesson has not been lost in the commercial world. Businesses that consider themselves to be information-based “learning organizations” now rely less on routine training courses and more on on-the-job learning, or mentoring, or having people with different levels of skills work in teams with a constant process of interaction and learning.

A more home-grown process also addresses the problem of a disconnect between technological development and production systems. If indigenous knowledge and production systems (organizations and other indigenous entities) cannot easily make use

of foreign technology, then they are likely to reject it and continue much as before (see Part 3, Chapter 2).

Rather than starting from a mail-order catalogue of standard parts to be forced into likely looking slots, the challenge instead should be fully to understand the local situation and move forward from there—step by step. The major implication of this proposal is that it puts a high premium on local rather than international expertise.

### **From Partnership to Ownership and Beyond**

These two core concerns—the need to appreciate development as transformation and to recognize the asymmetry of the donor-recipient relationship—have profound implications for technical cooperation. And to some degree, both are already being addressed. As ever, the first thing to change is the jargon. A few years back, attempts to equalize the relationship resulted in the promotion of the term “partnership,” coupled with efforts to achieve local participation or empowerment. Now the clarion call is for “ownership.”

Ownership is also about self-confidence, without which there can be no leadership, commitment and self-determination. An indispensable part of ownership, empowerment in the development context is about expansion of recipients’ capabilities, involving enhancement of choices and freedoms, and as such is not only a means but also an end in itself. The problem of initiating and fostering local ownership in the context of the asymmetry of power relationships, as discussed above, requires the consideration of three key issues: What exactly are national and indigenous approaches? What is the role of the development “industry”? What is the time-span for development interventions? (See Part 2, Chapter 1.)

As a result of political, financial and planning imperatives, there has been an urge for achieving results quickly. Transformation, however, is a slow and ongoing process, and development aid practices should adjust to reflect that tendency by using a long-term time-frame. Furthermore, local ownership necessitates a clear accountability structure and processes embedded in the local value system. In order to enhance access to external support while preserving local ownership, national agents need not only actively participate, but must also have full control over the initial idea as well as the execution of the project and its integration in national processes (*ibid.*).

The role of the state in this context needs further consideration. While the state is no longer the only interlocutor for development initiatives, the lack of recognition of its role has produced tension, confusion and a leadership crisis (see Part 2, Chapters 1 and 2). Unless developing country governments fully “own” technical cooperation programmes, having already agreed on their objectives and shaped their content, they will never have the commitment needed to make such programmes work. There is evidence to support this claim. Research and evaluation findings reveal that programmes commanding a sense of ownership by target beneficiaries and stakeholders have clearly performed better than those that did not (UNDP, 2001a; World Bank, 1998a).

Among the most successful technical cooperation programmes in recent years have been those in several of the former communist countries of Eastern Europe. But in many respects, these were special circumstances, not unlike those of the Marshall Plan 50 years earlier. Here much of the social capital, including a highly literate population and a highly developed public sector, was already in place. So, although the flows of assistance were one-way, and to some extent donor-driven and conditional on policy reform and the promotion of market economies, the policies and interests of donors and recipient governments were already reasonably well aligned.

The situation for the poorest countries is very different; there is a much greater gulf between donor and recipient. And this creates something of a catch-22 scenario. The LDCs are said to require technical cooperation precisely because their social and institutional infrastructures are weak. But this weakness also inhibits their ability and confidence to get into the driving seat, choose the direction in which to travel, and acquire and absorb appropriate resources that will be needed on the journey.

Worse still, technical cooperation can undermine local capacity. First, there are opportunity costs. Even “free” outside assistance takes up local resources, demanding counterpart budgets and mechanisms as well as the time to meet donor needs. Second, technical cooperation can open channels through which existing capacity can drain out as the best officials are tempted away to work on donor projects or for NGOs—leaving their remaining colleagues demoralized, overworked and susceptible to corruption.

### **Addressing Asymmetry**

The asymmetry issue is inevitable. Donors will always ultimately control the funds and where they are disbursed. The recipient’s final recourse is the exit option—simply to reject any assistance with which it is dissatisfied. Nevertheless, it is possible to level the playing field, or at least reduce the gradient. But the first step is to recognize that this is a fundamental issue—not merely that donor control and the lack of local autonomy are unfortunate defects or brakes on otherwise worthwhile activities, but that for some countries they can throw development into reverse.

Exactly how this asymmetry can be tackled will depend on local circumstances. Many countries have been able to pursue autonomous development strategies by making some or little use of aid funds and going their own way—Brazil, Botswana, Cape Verde, China, Costa Rica, Malaysia, Mauritius and Singapore, for example. Eastern and Central European countries too have been pretty successful in utilizing technical cooperation funds. But what about the poorest and politically weakest countries, who now find themselves in a dependent position? Alarming, countries with the least capacity have been the ones whose technical cooperation flows have decreased—by one quarter since 1994 (see Figure 0.3).

One of the most deliberate attempts to address this issue has been a pioneering effort in Tanzania (Helleiner, forthcoming 2002). In 1997, the Government of Tanzania, following an earlier initiative from the Nordic countries, agreed with the donors as a

group on a radical change of rules and roles between the partners in development, which included what subsequently became 18 specific steps on which progress in the aid relationship could be monitored by an independent assessor. While the assessor's 1999 report did note considerable progress on both the donor and recipient side in many aspects of development cooperation, the least progress seemed to have been in technical cooperation, which continued to serve donor interests and which the Government regarded as wasteful.

Another way to help level the playing field is to strengthen the voice of recipient countries in debates about aid policy. On the international level, the donors already have the OECD/DAC. No such forum exists for developing countries to share their experiences, find common positions and develop aid guidelines with a southern perspective. Southern forums on development cooperation could be an important platform for balancing the donor-recipient relationship. A good entry point for such cooperation might be existing regional or subregional mechanisms.

### **Innovative Funding Channels**

The most direct solution to the asymmetry problem in technical cooperation would be for the donors simply to support the national budgets of the recipients. This would mean an integration of external support into national planning processes and accountability systems. It would allow governments to exercise ownership over those funds and determine what inputs, advice, training, etc. is suitable to national capacity-development needs. It would contribute to aligning incentives and allow an improvement of overall civil service conditions. One may thus argue that budget support should be the starting proposition—the rule to which exceptions need to be negotiated.

A more targeted version of this would allow donors to retain a degree of control by channelling resources through specific technical cooperation funds with a clear general purpose. As long as the recipients deployed the funds to achieve agreed overall objectives, they could use them as they saw fit. As an extension of this, a group of donors could come together and pool funds that could be used in a similar way. A part of the Tanzanian experiment, for example, has been for donors to contribute to “baskets” of funds. There are variants of this type of mechanism, such as establishing autonomous development funds—public but politically independent institutions that can cater to both government and civil society. A technical cooperation window accessible to civil society may in any case be a useful complement to pure budget transfers.

The precise mechanism can be chosen according to local circumstances, but the central principle would be that of modifying the link between donors and programmes so as to achieve real national ownership. Most importantly perhaps, the pooling of resources, ideally as budget transfers, would dramatically simplify the aid relationship and would help resolve many other issues, including the obstacles created by vested interests.

If the development partners were prepared to explore other funding mechanisms, then many of the problems of ownership would start to recede and recipient governments would have much stronger incentives to get value for money. Some donors have

indeed moved in this direction. The Netherlands has sharply reduced its use of long-term expatriate experts. And Norway and Sweden have done away with technical cooperation altogether to concentrate on local capacity development. The United Kingdom is actively exploring the implications of budget support.

### **The Accountability Challenge**

Without strong accountability systems, support for pooled funds would not be feasible. What sanctions are available to enforce accountability? The two common responses are conditionality and selectivity. The weaker national accountability systems are, the more donors are tempted to subject disbursements to prior conditions, and tighten requirements and control mechanisms, which are difficult to comply with precisely because of weak institutions. The logical consequence is that donors disengage from countries where conditions are deemed insufficient. Both parties actually aggravate the situation for the poorest people.

Accountability should also be viewed in a wider context. Donors are accountable to their home constituencies, and they in turn set certain performance criteria for recipient governments. Missing from this perspective is accountability—on performance, on impact, and on finance—to the intended beneficiaries, the people of the developing countries.

Civil society, in the form of NGOs and the media, is stepping in to monitor what is happening. Why is the health service using an expensive western information technology consultant when similar expertise is available for a fraction of the price locally or from another developing country in the region? Wasting someone else's resources is one thing; wasting one's own is quite another. This kind of transformation would of course also be a huge breakthrough for the donors, who could demonstrate far more convincingly to their constituencies that their funds are being used wisely.

As a way of strengthening local accountability, recipient countries could also establish a national forum for all the stakeholders—including government, civil society, the private sector, the development industry and donors—to set priorities and monitor progress in a transparent way. Such a forum could help bridge a leadership gap and get reforms underway, particularly in countries where governance structures are weak.

### **Capacity Development in the Network Age**

Regardless of whether donors or recipients are prepared to take such steps, the old-style linear forms of technical cooperation will to some extent be overtaken by events. Globalization—and the counter-reactions to it—is creating multiple new links, networks and alliances that change the topography of knowledge. In this globalized environment, the idea of being propelled along a linear development path by knowledge emanating from a single distant country will increasingly be seen as antiquated and irrelevant. New institutional forms of global support to capacity development are becoming possible. This will bypass the constraints of asymmetry and knowledge transfer (see Part 3, Chapter 1).

New technology is creating myriad alternative tools for capacity development. Information on agricultural technology, for example, that might previously have remained lodged in the minds of overseas experts or expensive foreign manuals or textbooks can be summoned from wherever it is, through an Internet connection and the click of a mouse. Information and communication technologies can also create networks and communities of practice. People in governmental and nongovernmental institutions across the world can now engage with each other horizontally and directly without passing through formal channels. Many NGOs have already discovered the potential for exchanging information internationally and for planning joint activities and campaigns. Governments or other institutions are now in a better position to locate expertise independently and assess its worth, just as the private sector does in garnering the best skills and abilities from wherever they are worldwide (see Part 3, Chapter 4).

These changes in technology are also taking place at a time when development expertise itself has become more widely dispersed. At the beginning of the 21st century, some of the most relevant and useful knowledge on how to achieve rapid human development now resides in the countries that have the most recent records of success. The notion that the only ideas for development that are worth trying are those that derive from the North looks less and less plausible (see Part 3, Chapter 3).

It can still be argued that circumstances in Bangladesh, China, Costa Rica or Mali are unique and distinct, and that the experience in one country will not necessarily translate to another. But once it is accepted that there is very little generic development knowledge—that all knowledge has to be gathered and then analysed, modified, disassembled and recombined to fit local needs—the source is immaterial. The new motto is: “Scan globally, reinvent locally.”

This philosophy can turn networks into an empowering tool of capacity development. An extraordinary sociological transformation over the last decade has been the rise of networks—formal and informal, in almost all areas of life. Information networks are proliferating, as corporations, governments, research institutions, NGOs and millions of individuals collaborate to share ideas, information and knowledge. They can share information nationally, as with the South Africa Health Network, for example, which enables health practitioners to swap experience on topics ranging from malaria to traditional medicine. Or they can share regionally, as with Electronic Networking for Rural Asia Pacific, supported by the International Development Research Centre (IDRC) and the International Fund for Agricultural Development (IFAD). Or they can share internationally, as with the OneWorld global network for NGOs. These networks and many others offer a striking alternative to the old model of one-way North-South information flows. Now, the flows can be in every direction—within and between countries of both South and North.

The network approach to capacity development can truly be demand-driven. For example, the International Budget Project, supported by the Ford Foundation, is a network of NGOs across the world involved in social audits of budgets. The project develops the capacity of network members by providing a forum for exchanging

information and ideas, tools and methodologies, training, and moral support. The success of a project with such a design will depend on effective demand, and therefore cannot be simply supply-driven.

UNDP and the World Bank are actively promoting the development of networks, starting within their own organizations. But as some of these experiences show, networks can also fall into the same problems experienced with donor-driven agendas, particularly the trap of asymmetry. If they are hierarchically organized and tightly controlled, they can once again be constrained by a supply-driven agenda. To avoid this outcome, networks have to be managed so as to be truly open, participatory and demand-driven. When they are, they open up exciting new possibilities for empowering people to scan globally and reinvent locally (see Part 3, Chapter 1).

At the same time, however, while there are now greater rewards for exploiting these opportunities in a knowledge-based market environment, there are also greater penalties for being left behind (see Part 3, Chapter 1). As knowledge becomes the foundation for more and more economic activity, it also becomes the basis for a competitive edge. India's rapid emergence as a world leader in information and communication technology skills is but one example. Brazil's success in building on local and international knowledge for its pharmaceuticals industry is another. However, many other countries and industries have not been able to develop their capacities in this fashion, and risk being marginalized from the global economy.

## **Conclusions: A New Paradigm for Capacity Development and Institutional Innovations to Solve Old Problems**

If technical cooperation is to work for capacity development, only institutional innovations—new models—most appropriate to today's social and economic environment will overcome the well-known constraints. This means:

- starting with the motto “scan globally, reinvent locally”;
- trying out new methods—such as networks that make the best use of new types of learning; and
- trying out innovations that address asymmetry in donor-recipient relationships, such as pooling technical cooperation funds and developing forums for discussion among southern nations.

Perhaps the biggest obstacle in developing such innovations lies in the human mind itself, which can remain imprisoned in old assumptions and practices. Institutional innovations will have to be built on new assumptions about the nature of development, effective development cooperation, the aid relationship, capacity development and knowledge. These assumptions have to shift to new assumptions in order to build a new paradigm. The key elements are listed in Table 0.1.

**TABLE 0.1: A NEW PARADIGM FOR CAPACITY DEVELOPMENT**

|   | <b>Current paradigm</b>  | <b>New paradigm</b>   |
|---|--|---|
| <b>Nature of development</b>                            | Improvements in economic and social conditions                                   | Societal transformation, including building of “right capacities”                               |
| <b>Conditions for effective development cooperation</b> | Good policies that can be externally prescribed                                  | Good policies that have to be home-grown  |
| <b>The asymmetric donor-recipient relationship</b>      | Should be countered generally through a spirit of partnership and mutual respect | Should be specifically addressed as a problem by taking countervailing measures                 |
| <b>Capacity development</b>                             | Human resource development, combined with stronger institutions                  | Three cross-linked layers of capacity: individual, institutional and societal                   |
| <b>Acquisition of knowledge</b>                         | Knowledge can be transferred   | Knowledge has to be acquired  |
| <b>Most important forms of knowledge</b>                | Knowledge developed in the North for export to the South                         | Local knowledge combined with knowledge acquired from other countries—in the South or the North |

Capacity development is arguably one of the central development challenges of the day, as much of the rest of social and economic progress will depend on it. To begin with, it is an imperative for economic survival in today’s knowledge-based market environment. But if the purpose of human development is to extend human capabilities, then capacity development is not merely a stepping stone towards higher levels of human development; it is an end in itself. For individuals, for institutions and for societies, this demands a continuous process of learning and relearning—from each other and from the world around them.

If all the stakeholders are to make fundamental progress, they will need to experiment with new approaches and seize fresh opportunities presented in the network age. Jointly, through this new paradigm, they will need to design institutional innovations to support capacity development.

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