

Who's the Boss? Strengthening the Effectiveness of Capacity-Development Support

Summary

Development cooperation encompasses a multitude of accountability relations that do not automatically complement one another. In practice, the strong accountability needs of donor constituencies create perverse incentives to bypass developing-country institutions in an effort to seek “value for money” for “their” development assistance. This reality contrasts with international commitments made to use country systems – i.e. developing countries’ own arrangements and procedures for public sector planning, budgeting and accountability – as the default option for development assistance.

During the 2011 High Level Forum on Aid Effectiveness in Busan, the strengthening of effective institutions was identified as a principal means for improving accountability; the process of strengthening institutions should be led by developing countries, whereas donors committed to providing capacity-development (CD) support. Most of this support comes in the form of technical cooperation, which takes up a large chunk of official development assistance (ODA). This includes a large variety of actions, including training, twinning, studies and – taking up the bulk of the assistance – short- or long-term experts.

It was recognised during discussions in Busan that the effectiveness of CD support ultimately depends on the quality of the relationship between the parties involved. In the public sector, this implies optimising the use of country systems. Seven fundamental changes should be sought to ensure effective and accountable CD support:

1. Ensure that developing countries lead in identifying and articulating demand for CD support.
2. Jointly discuss all possible options for CD support and be fully transparent on financial details for each.
3. Jointly identify CD support objectives and the approach to financing, and make these details available to all relevant stakeholders.
4. Phase out formal and informal tying of support.
5. Regardless of the procurement approach chosen, ensure that developing countries lead recruitment decisions for CD support.
6. Clarify managerial responsibility and ensure that support is primarily accountable to beneficiaries.
7. Ensure full developing-country involvement in monitoring and evaluation of CD support, and that monitoring promotes variation and adaptation.

Developing countries and their international partners can gain much from pursuing these changes. Optimising the use of country systems presents costs to all involved, but not paying these is clearly more expensive.

Despite the lapse of international interest in the aid-and-development-effectiveness agenda, a stronger and context-sensitive promotion of the use of country systems for CD support remains important, given the strong investments made and the many partners involved.

Accountability and development effectiveness

The concept of accountability is generally understood as an obligation on a person, group or institution to justify decisions or actions taken. Though seemingly straightforward, the concept proves elusive in the field of development cooperation. Being accountable is highly context-dependent and goes far beyond formal accounting on paper. It involves presenting an “account” in the sense of justifying one’s actions, as well as more formal “accounting” on those elements on which objective and standardised facts can be established (Pritchett 2013).

The importance of accountability was recognised during the High Level Forum in Busan. Its outcome document uses the term 16 times and identifies it as one of four core principles for effective cooperation: *“Mutual accountability and accountability to the intended beneficiaries of our cooperation, as well as to our respective citizens, organisations, constituents and shareholders, is critical to delivering results. Transparent practices form the basis for enhanced accountability.”*

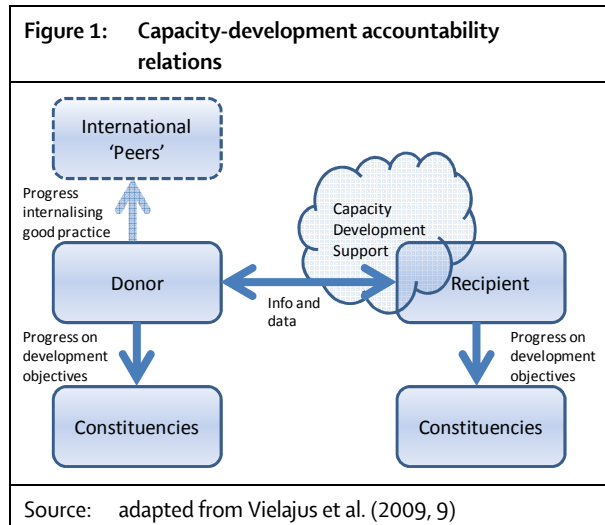
To improve accountability, providers and recipients of development cooperation also committed to strengthen effective institutions in developing countries, with emphasis on support to capacity development. CD is understood as a process whereby people and organisations strengthen their ability to manage affairs successfully. It is an endogenous process that can be supported from the outside only to a limited extent.

Donors provide significant amounts of CD support to developing countries, mostly in the form of technical cooperation (TC), which in 2011 amounted to US\$ 17.7 billion, or roughly 13 per cent of global ODA. CD support is also provided as a component part of larger bilateral development interventions. In addition, substantial TC is provided by multilateral organisations, non-governmental stakeholders and South-South cooperation providers. Through these sources, developing countries gain access to training, twinning, studies and especially short- to long-term expertise.

Competing accountability needs and goals

CD support relates to and is shaped by a complex web of accountability relations. Figure 1 shows that once external support is provided, the accountability relations from developing-country stakeholders to their constituents are accompanied by accountability relations to donors. These donors, in turn, are held accountable by their own domestic constituents and by international “peer pressure”, as reflected in commitments made in Busan and earlier High Level Fora on Aid Effectiveness. On both “sides”, constituencies include parliaments, audit offices, civil society organisations and the electorate.

These levels of accountability do not automatically complement each other. Although international commitments



seek to move away from a strong emphasis on accountability to donors, progress here is hampered by pressure from domestic constituents to show “value for money”. This can result in partner countries spending more energy on accounting to outsiders than to their own constituents.

“Value for money” pressures frequently lead to unrealistic expectations on what developing countries can achieve within the span of an electoral cycle. Critical donor constituents, combined with disappointment over past results, have led to an increase of approaches that promote results in a way that bypasses key stakeholders and systems in developing countries. This has resulted in unsustainable “project islands”, misalignment with country priorities, capacity reduction, etc.

Donors are frequently confronted with weaknesses in developing-country accountability systems, such as disempowered parliaments or weak audit institutions. Developing-country governments do not always have an interest in improving such systems. While “accounting” may happen on paper through formalised systems, in reality government often remains unresponsive and fails to account to its citizens.

Finally, “mutual accountability” processes between developing-country stakeholders and their international donors are problematic. The sheer number of donors has resulted in complex and time-consuming meeting processes, for example in relation to national development strategies or specific sector strategies. These meetings generate a lot of information but do not result in the desired accountability.

Despite these difficulties, during Busan both the providers and recipients of development cooperation felt that they should continue efforts to strengthening accountability. In doing so they committed to *“use country systems as the default approach for development cooperation in support of activities managed by the public sector, working with and respecting the governance structures of both the provider of development cooperation and the developing country.”* It was

added that it is ultimately the donor who decides whether or not to use country systems.

Capacity development through country systems?

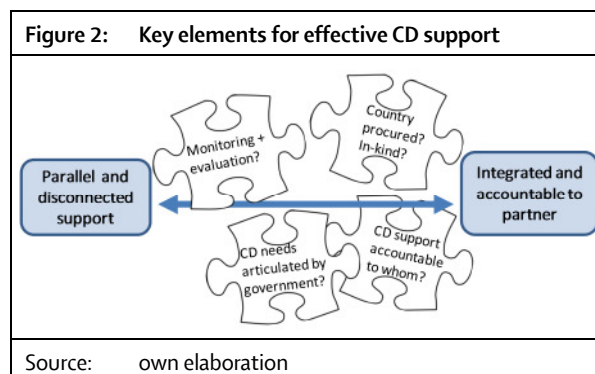
While endorsing the international consensus on CD as an endogenous change process, in practice many donors implicitly regard capacity as something necessary to effectively implement “their” development cooperation. This makes sense from the perspective of their accountability needs, but it can undermine developing-country capacity and distort their institutions.

Technical cooperation is reported to the Organisation for Economic Co-operation and Development (OECD) as support that seeks to augment the level of knowledge, skills, technical know-how and productive aptitudes. In reality, it frequently does not primarily aim for this, but instead facilitates and oversees development cooperation. Decades of critical studies point to systemic weaknesses of prevalent practices but do not rule out that the right support can benefit developing countries.

As shown in Figure 1, CD support is supposed to serve an endogenous capacity-development process. However, the inputs provided to support this process are paid for by an external actor, thus distorting typical patron–client relations. The design of the support needs to clearly specify lines of managerial responsibility, or else different views on the purpose and objectives of the support will emerge. It is not so much about the formal “accounting” process, but rather the question of whom the support provider ultimately feels responsible towards. Various options can be used to ensure that CD support is fully accountable to partner countries (Land 2007).

Improving the effectiveness of CD support requires changes from prevalent practices in all phases of the programme cycle. Depending on the choices made, support can be located on a continuum of support ranging from parallel approaches with limited partner-country accountability to fully integrated approaches (Figure 2). While CD support to endogenous change processes can only be assumed to be effective when located towards the right side of the continuum, there is no “blueprint” on how to use country systems in this regard. Instead, general principles of effective support need to be adapted to the context in which they are applied, for instance low- or middle-income countries.

The articulation of demand is a first and essential step for ownership of the support by the partner country. Many countries that are strongly dependent on ODA can be overwhelmed by support and fail to manage it effectively. Others do manage by clearly expressing priorities for CD support at the sector or country-wide level. In contrast, countries no longer dependent on ODA often have a good awareness of what they need and who can best provide it, and use more direct and bilateral approaches to express demand for support.



A problem here is that a sizeable portion of TC support primarily caters to donor needs. Particularly in ODA-dependent countries, donors can informally point out that the acceptance of the support is “conditional” for receiving other forms of support, or they can include technical cooperation as part and parcel of a large package of support. All this can result in “pseudo-demand” and “tolerated TC” on the part of the developing country. For these and other reasons, the OECD considers TC to be a disputed component of its Country Programmable Aid concept.

Developing-country demand will often be of a rather general nature and can only be the beginning of a detailed and intensive search for the right form of support. In this process, developing-country stakeholders may express a need for particular types of support (a short-term regional expert, twinning with a counterpart from another country, etc.). Donors, however, often push particular types of support against the country’s wishes. Although, there have been promising developments, such as the Australian government’s decision in 2011 to move away from its practice of using advisors as a “default response” in CD support.

CD support is typically provided as a grant, frequently with minimal information on the budgets involved. Whereas using loans or introducing co-financing would test countries’ willingness to pay for CD support and require approval by parliament and be reflected in the government budget, with grants this is not automatically the case. Exclusive use of grants with scarce financial transparency reinforces misperceptions of TC as a “free good” and tends to obscure the opportunity costs involved. Given the prevailing use of grants and competition between donors providing CD support, developing-country demand for cost-sharing or loan-based support will be low.

Once objectives and budgets are clarified and adopted, these should not remain a best-kept secret between the donor and the direct developing-country counterpart. In accordance with international commitments to using country systems, information on the nature of the support and the financial investments involved should be reflected in a developing-country’s government budget and presented to its parliament.

When it comes to procuring support, country systems are often not the preferred route: because donors perceive the quality of these systems as insufficient; because partner countries do not want to expose their systems (e.g. when not ODA-dependent); or because they find donor procedures more efficient.

There are different options for procurement of CD support: e.g. by the developing country as per its own laws and procedures, or by the donor through international competitive tendering. Whichever procurement option is chosen, developing-country stakeholders should lead in the TC recruitment process. In practice this process is, however, often supply-led and centralised, while developing-country stakeholders get to scrutinise a handful of CVs or participate in interviews through video conferencing.

Some donors continue to formally or informally "tie" the support to specific providers, e.g. by providing the support "in-kind" through specialised agencies without international tendering, despite the agreement in Busan to accelerate efforts to untie development cooperation. OECD statistics show that in 2010 almost half of all TC was tied.

Finally, developing countries should be involved in and informed of the monitoring and evaluation of the capacity-development support that is provided. When the support is reflected in the government's budget, then the country's own accountability systems (e.g. audit office) should be involved.

As it stands, too much evaluation is done directly by and for the donor, but more fundamentally the support is insufficiently evaluable as a result of unclear objectives and absent baselines.

Setting clear objectives should go alongside sufficient attention to ensuring that monitoring systems promote variation and adaptation. This implies moving away from supply-driven "value for money" accountability that inhibits learning and promotes unhelpful standardisation of interventions for narrow accounting purposes.

There is also an accountability gap between donors providing CD support, as it is among the least transparent and evaluated types of development cooperation. This further hampers learning and the development of good practices, while frustrating efforts to investigate the relation between what developing countries commit to and what they end up doing.

Conclusions

Providers and recipients of development cooperation stand to gain much from CD support through country systems, which requires considerable investments in demand articulation, design, procurement as well as monitoring and evaluation. Optimising the use of country systems presents costs to all involved, but not paying these is more expensive, as it results in ineffective and unsustainable CD support.

Available research shows that donors have made only tentative progress in the past decades in strengthening accountability of CD support. Decades of critical studies indicate reform resistance on both sides, although some developing countries have become more vocal in demanding change. A stronger and context-sensitive promotion of the essence of the "use of country systems" agenda remains opportune in view of the present drive towards results as well as the increasing number of providers of and investments in CD support.

Literature

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Niels Keijzer

Department "Bi- and Multilateral Development Policy"

German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE)