CAPACITY DEVELOPMENT

Management Development and Governance Division
Technical Advisory Paper 2

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United Nations Development Programme
Management Development and Governance Division
Bureau for Policy Development

F O R E W O R D

Capacity development is becoming the central purpose of technical cooperation in the 1990s. The past four decades' practices of delivering foreign aid are being called into question for poor achievements in sustainable impact, national ownership and appropriate technologies. And new, global factors—such as globalization, the information revolution, the tremendous growth in international markets and the acceleration in the democratisation and decentralisation of national authority—are causing UNDP and all other international development organisations to reassess their roles and competencies.

Comprehensive evaluations of aid programmes reveal the severe limits of narrow institutional development approaches that are divorced from the broader enabling environment within which strengthened institutions and empowered individuals must operate. Capacity development, with its emphasis on "capacities to be developed" in support of long-term self-management, shifts the focus. Traditional donor-driven, input-oriented, cost-benefit and expert-led practices are giving way to approaches promoting indigenous control, local knowledge and participation, and the dynamics and interrelationships among the various actors and levels of national programmes, groups and organizations. The old focus on institutional development is seen as an important component of capacity development— but not the same as capacity development.

Capacity Development presents the lessons from four decades of technical cooperation— and the fundamental changes that UNDP has instituted to capitalise on the potential contributions of capacity development. Towards this end, UNDP's mission for Sustainable Human Development—a cross-sectoral strategy for poverty eradication, sustainable livelihoods, environmental regeneration and gender mainstreaming—is made operational through processes based on partnerships with both government and civil society. These processes are designed through facilitative and participatory approaches, and they are responsive and accountable to national priorities and objectives. These characteristics are not only the core principles of good governance in society; they also renew the main goals of development cooperation: long-term sustainability and an enabling environment that facilitates human development.

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CAPACITY DEVELOPMENT and UNDP

In the 1990s international donors, including UNDP, have given more attention to institutional and organizational issues in development. At the same time, UNDP is taking a closer look at its role in promoting capacity development.

For most of the past 40 years the emphasis was on the "what and why" questions about physical, financial and, later, human and natural capital. Less attention was given to the "how" issues, including design, implementation and management. This led to a preoccupation with building formal organizational structures, mainly in the public sector, and with institutional strengthening.

The role of public institutions in development is now changing. Conventional ideas about organizational engineering are being supplemented by broader notions on promoting learning, empowerment, social capital and an enabling environment. Attention is being given to the culture, values and power relations that influence organizations and individuals. Donors are using different intervention points into capacity systems. The informal patterns of personal and societal behaviour—the rules of the game—are now better understood. And there is more appreciation of the need to complement, not replace, indigenous habits and practices. All of these are slowly forming into a body of concepts called capacity development.

Like all donors, UNDP must find ways to leverage scarce resources, react to changing needs of partners in developing countries, focus on activities where it has special skills and experience and coordinate its work with other UN agencies and donors. This paper looks at capacity development—its evolution, content and direction. It highlights what (if anything) is new about the latest institutional thinking, and it looks at UNDP's role in promoting capacity development as part of its wider mandate in international development.

THE CHANGING WORLD

One of the main ideas behind capacity development is the importance of personal and organisational behaviour. The same holds true for development cooperation in the mid-1990s. The work of international development organisations, such as UNDP, is being influenced by various national and global factors.

Developing Countries

☐ In the post-cold war period governance and democratisation issues have become more dominant. Countries have moved towards more political accountability, freedom of association, improved legal frameworks, bureaucratic transparency and respect for human rights. At the same time, crime, ethnic tension, social disorder and a growing lack of social trust and institutional legitimacy are more evident. The fabric of some countries appears to be coming together, while tearing apart.

☐ Most developing countries are rethinking the approach to public management—reducing the role and size of government, changing methods of service delivery, privatising, decentralising, deregulating, improving relationships between citizens and government and forming state and civil society partnerships.

☐ Patterns and distribution of power and influence in societies are changing rapidly. Authority and control are ebbing from national governments to regional and international institutions, state, provincial and municipal governments and groups and institutions in the marketplace and civil society. Institutional diversity (credit unions, policy institutes, sports clubs, political parties, community-based organisations) is growing throughout societies. Some of these changes are led by financial imperatives, while others are placing resource constraints into broader reform processes.

☐ The agendas for poverty, employment, AIDS, environmental and energy management, health care, decentralisation and urban development have evolved into multi-dimensional and multi-sectoral issues that require sustained attention, new institutional approaches and public support and involvement. Organisations acting alone (be they government departments, large non-governmental organisations or donors) are ineffective given the mounting complexity, inadequate understanding and lack of enforceability.

Globally

☐ Developing countries cannot avoid the effects of globalisation. It manifests itself in regional economic and political blocs, stronger intergovernmental bodies, such as the World Trade Organization, international mandates on poverty and human rights, increasing influence of transnational corporations, trade and investment, and internationalisation of social, demographic, cultural and environmental issues. All have serious implications for states' sovereignty. And all can have both positive and negative effects on society, particularly on the most vulnerable.

☐ The information and communications revolution is now being felt in developing countries. In the next few years, two-thirds of the world's spending on telecommunications will be in developing countries. New technologies, especially the Internet, are changing the way organisations and individuals in developing countries can access information for improved choices and opportunities.

☐ Donors, both bilateral and multilateral, are under pressure to do more with less. They must now achieve and demonstrate results with shrinking budgets to skeptical citizens and governments. Lower-cost and high-impact interventions are needed. Formal techniques of performance management and measurement are being introduced into the design of many programmes.

☐ Development institutions are going through their own restructuring. Private-sector financing is the primary source for financing development in many countries. Development institutions are forming new partnerships with private sources. Technical expertise, previously delivered by donors, is now becoming freely available to developing countries through information networks. Development cooperation will increasingly focus on those areas that do not lend themselves to market-based approaches, mainly social and human development and governance. Project-by-project approaches are giving way to sector-wide programmes. And even the biggest donors are now searching for niches and areas of comparative advantage.

This is the changing world in which donors and developing-country partners must now operate—a shift in roles, less concessional financing, more pressure for cost effectiveness and performance, more emphasis on knowledge management and dissemination, more partnerships and collaboration and, perhaps most important, a growing realization of the need to focus on developing national capacities as the route to sustainable development.

A NEW DIRECTION

Capacity development is the process by which individuals, organisations, institutions and societies develop abilities (individually and collectively) to perform functions, solve problems and set and achieve objectives.

It is a continuing learning and changing process

Over the years, the development community has come up with a host of terms and definitions that apply to institutional issues (box 1). UNDP's definition of capacity development builds on this evolution and has three cornerstones. It is a continuing learning and changing process. It emphasizes better use and empowerment of individuals and organizations. And it requires that systematic approaches be considered in devising capacity development strategies and programmes.

Capacity Development

What does this mean for UNDP's approach to technical cooperation? UNDP developed a capacity development framework to help explain various roles and relationships and provide a way to define interrelated activities to improve the use and sustainability of individual, organisational and societal capacities (figure 1). The framework is used to help better understand the needs, problems and wider contextual issues before a programme is initiated. The framework proposes four interrelated dimensions for sustainable capacity development:

1. Individual. Education, on-the-job training, and formal and informal skills development to accomplish tasks and solve problems are core requirements. Individuals must be able to participate in decisions and have a clear understanding of their role and function. They must also have adequate incentives, salary structures and accountability. Values, expectations and power relations need to be recognized. But this is no guarantee that the person will be productive or effective. Other things are necessary.

2. Entity. A well-trained, productive person needs access to finance, information, technology, infrastructure and other resources. This often means working within (or related to) an entity that has an organisational structure with a clear mission, and clear goals, functions, systems and resources (such as a public body, a private business, an NGO or community-based group). Some of these entities may be informal groups working at the community level.

Figure 1

Enabling environment

Institutional context
- Policies and regulations
- Structures
- Role of State institutions
- Human resources capacity
- Incentives and salary
- Accountability/openess

Sociopolitical context
- Role of civil society
- Social structures, values
- Sources for conflict and stability
- Equity power relations
- Gender role
- Political commitment

Economical context
- Markets and formal and non-formal private sector
- Macro-framework
- Regulatory framework
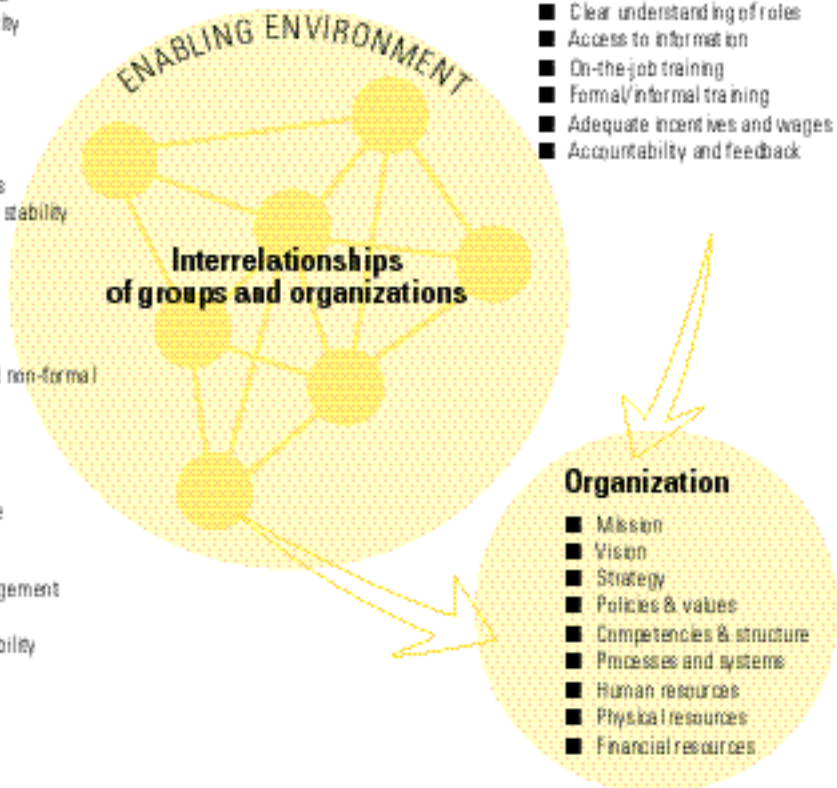- Global linkages
- Development assistance

Environmental context
- Natural resource management
- Energy and water
- Environmental sustainability
- Biodiversity

Individual learning

Key requirements
- Participation in decisions and implementation of learning processes
- Clear understanding of roles
- Access to information
- On-the-job training
- Formal/informal training
- Adequate incentives and wages
- Accountability and feedback

ENABLING ENVIRONMENT

Interrelationships of groups and organizations

Organization
- Mission
- Vision
- Strategy
- Policies & values
- Competencies & structure
- Processes and systems
- Human resources
- Physical resources
- Financial resources

3. Interrelationships between entities. Organisations and groups interact with others for a common purpose. These can often be seen as a system. For example, a microcredit system for women could include a credit institution, relevant line ministries, cooperative/business/marketing NGOs, small businesses and women's community-based groups. Themes, sections, institutions and geographic divisions comprise one or more systems where entities interact for a common purpose.

4. Enabling environment. Sustainable capacities for individuals, entities and systems require a positive enabling environment for addressing cross-sectoral issues relevant to all parts of society—the state, civil society and the private sector. In devising such an enabling environment, four inter-related issues need to be taken into account:

☐ **Institutional**—development policies and plans, legal frameworks, ability and willingness reform, distribution of institutional responsibilities, public sector and human resource policies, incentives, and so on.

Box 1. The Evolution of Institutional Thinking

Like its counterpart on the economic side, the evolution of institutional thinking reflects the changing demands and perceptions of development cooperation.

In the 1950s and 1960s institutional building referred to setting up in developing countries basic public organisations required to manage the functions of a state. The focus was on the design and functioning (the building) of formal organisations in the public sector, such as public service commissions, audit bureaus, planning commissions and the like.

In the 1960s and 1970s institutional strengthening dealt with improving existing organisations (for example, their financial systems, more staff training for counterparts) instead of building new ones. Most donors included such strengthening within programmes that would supposedly lead to a smooth handover to local officials at the end of donor involvement.

Development management in the 1970s referred to the management and implementation of development programmes, particularly for social development and basic human needs. It looked at the ability of public institutions and governments to reach target groups, especially the rural poor ignored by centralized bureaucracies created in the colonial period and in the 1960s.

In the 1980s institutional development referred to the broader process in which a society creates and maintains organisations to deliver value to citizens. It applied to private-sector organisations, NGOs as well as government. Institutional development was seen as a longer-term process of restructuring and organisational change that went beyond any single organisation. Public-sector reform began to take on a new urgency, and capacity building was introduced, emphasising new capacities and institutions with the support of external assistance.

In the 1990s holistic and cross-sectoral approaches to change, institutional economics and governance have provided more insights. These look at dynamic relations between actors and the overall policy and governing context for sustainable change. Capacity development has become a central goal and people the focus. Institutional economics emphasises the importance of incentives and the motivation of institutional actors, especially where this information is scant or poor. This approach also looks at the impact of the rules of the game on organisational performance. Governance covers topics such as the impact of the political economy on organisational and individual performance, democratisation, legal systems, participation, accountability and legitimacy.

☐ **Sociopolitical**—society's vision; formal and informal values and standards; democratic processes; power relationships, particularly the role of women; sources of consensus and conflict; human security and the special cases of countries in crises or transition that need to be taken into consideration.

☐ **Economic**—stable and equitable fiscal and monetary policy; management and distribution of resources and assets; the impact of the external sector, particularly trade, investment, official development assistance, technology and debt management.

☐ **Natural resource management and environment**—the impact and importance of the natural resource base and the sustainable management of the environment.

Analysis of a situation may use any starting point—individual, entities or the system as a whole.

Implications for UNDP

What, if anything, is new about the term capacity development? What are the implications for UNDP technical cooperation programmes in developing countries? UNDP's approach to capacity development is sixfold.

Capacity development needs to be based on clear goals.
Capacity for what?
Before any capacity development programmes are started, it is critical to clearly identify goals and priorities. Without this, people could be trained, organisations built and institutions strengthened for no clear purposes—or systems developed that do not improve economic growth or do not meet people's needs.

Policymakers must first build a consensus to articulate visions and goals. Whether engaged in small-scale community development or large-scale public sector reform, clear goals of strategies devised by stakeholders and beneficiaries will determine their ownership and support. There are many ways to do this: through existing political or planning processes, elections, special studies and workshops, conflict resolution processes and so on.

Capacity development looks at the potential of all in society. Capacity for whom?

For a long time, governments were seen as the main source for development. No longer. The role of the state is being reviewed and that of the private sector and civil society in development is gaining greater credibility. In some developing countries they are seen as the main engines of growth and change. Meantime, governments are strengthening their abilities to define policies, create an enabling and stable environment and decentralise their services to be closer and more accountable to those they serve.

A focus on developing capacities throughout society does not mean that UNDP will develop capacities of the whole society. Instead, UNDP is taking a strategic approach to determine where capacities would best be developed in society (box 2). For example, in many countries the government is developing public-private partnerships to provide services through community-based organisations, and in other countries governments are dis-investing themselves out of the productive sector and focusing on providing a conducive "enabling environment" for the private sector.

UNDP is taking a strategic approach to determine where capacities would best be developed in society

Donor-led development programmes that work primarily with one national development partner are missing the great potential and capacities to be found with others in a country. UNDP's approach is to develop new partnerships for capacity development—among government, civil society and the private sector, and between these three groups and external development partners. In these new partnerships, UNDP is a neutral partner, supporting sustainable human development.

Capacity development makes better use of people and organisations

Capacity development has turned many institution-building approaches upside-down, as the focus shifts to national strategies to develop, sustain and properly use capacities already available in society. Except in situations of crisis and revolutionary change, developing capacities in government institutions from scratch becomes the least desirable option and other parts of society that can be further developed to address capacity shortcomings. Developing and using the potential of individuals, organisations and systems is central to UNDP's approach to sustainable human development (see figure 1).

Box 2. HIV/AIDS and UNDP—Involving Societal Partners

Many governments have relied on health officials at the federal and state levels to design and deliver programmes to tackle HIV/AIDS. Little attention has been given to a broader approach—preventive measures, easing the social and economic impact, developing community-based responses and introducing legal protection for those affected. The HIV/AIDS pandemic cannot be resolved by governments alone.

Rather than focus on simply improving the organisational performance of health ministries, UNDP has also supported the work of community groups, human rights organizations, economic and legal institutions, the private sector and HIV/AIDS patient groups. The intention is to allow these groups to:

- Network and collaborate to develop a comprehensive approach to understanding the pandemic and assess its needs and scope from a developmental point of view.

- Undertake studies to understand the impact of HIV/AIDS at both the community and the financial and economic levels.

- Interact with government authorities to influence policies and laws, demand better organisational performance and encourage governments to enter into partnerships and channel more resources to the NGO and private sectors.

- Establish regional centers of excellence and gain global access to information on HIV/AIDS.

UNDP's work in HIV/AIDS takes the new approach to capacity development—promoting new knowledge and social capital, encouraging collaboration of all in society, working on the demand as well as the supply side and creating a critical mass to come up with sustainable approaches. The new processes of interaction and learning have resulted in effective capacities being mobilised and used in a comprehensive way.

Even at the early stage of development, all countries have capacities that could be empowered or harnessed. All have informal institutions (such as property rights, legal systems, values and beliefs and structured relationships among people) that affect the development of formal institutions or organisations. Their effectiveness in capacity development, however, depends on deeper dynamics in society, such as the degree of politicisation, the economic systems, the security and rule of law, the administrative heritage and the social trust and collaboration among people. These shape the way that a society adapts to outside interventions, manages change and policy mix, develops its skills and knowledge and changes organisational performance.

Establishing the right mix of nationally owned long-term policies, legal frameworks and incentives to allow improved use of capacities is a vital

long-term consideration that will help determine whether developed capacities will be sustained.

Capacity development and good governance: the how of capacity
Another key dimension of sustainability relates to how capacities are developed. UNDP's experience shows (figure 2) that capacity development is most sustainable when programmes are:

☐ **Responsive**—to the needs of people and stakeholders.

☐ **Participatory**—all men and women affected should have a voice in decisionmaking throughout the process.

☐ **Transparent**—built on the free flow of information.

☐ **Equitable**—all men and women have equal access to opportunities and assets.

☐ **Accountable**—decisionmakers in government, the private sector and civil society are accountable to the public as well as to institutional stakeholders.

☐ **Consensus-oriented**—differing interests are mediated on what is in the best interest of the whole group.

☐ **Effective and efficient**—individuals, processes and institutions produce results that meet those needs, while making the best use of resources.

> **Capacity development, depends on deeper dynamics in society**

Figure 2
Capacity development for governance
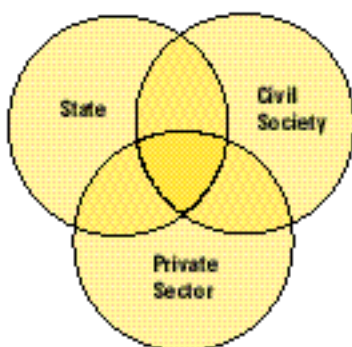
Governance includes the state, but transcends it by taking in the private sector and civil society. All three are critical for sustaining human development. The state creates the right political and legal environment. The private sector generates jobs and income. Civil society facilitates political and social interaction—mobilizing groups to participate in economic, social and political activities. Constructive interaction amongst all three contributes to good governance, such as accountability, transparency, effiency, consensus building equity and responsiveness.

☐ **Strategic**—based on long-term societal vision and reflecting analysis of full range of opportunities and strengths.

All these attributes are core characteristics of good governance and UNDP aims to incorporate them into all programme design features. Capacity development for good governance can also be seen as an end in itself. Well-functioning democratic, judicial and public-sector institutions, an effective market and a dynamic civil society are all important in making societies stable, prosperous, equitable and sustainable.

Capacity development is about change
Developing capacities also means that people (often working in groups, organisations and systems) have to change the way they do things and interact.

Change involves institutionalising participation and learning. For individuals, change is best introduced when they are fully involved in design, implementation and accountability. Over time, incremental capacities are built through on-the-job learning and skills development, improved access to information and formal and informal training. The right policy, cultural, organisational and incentive mix must allow this to continue over time, especially when technical cooperation ends.

Policy changes need leadership and commitment. Where major policies and institutions are involved, strong political commitment is required to introduce change. This usually means champions and leaders willing to take risks and help identify processes and new opportunities that can serve as entry points for change (planning processes, national and local elections, annual budget reviews, new crisis restructuring programmes, and so on). In some cases these people help consensus-building, clarify goals and develop national frameworks for change. It is important that these champions be legitimate national leaders—not created by donor-assisted programmes. Once identified, such people require resources, training and strategic technical support to bring about change.

Change requires understanding interrelationships. While it may be expedient to focus on an organisation, institution or sector, sustainable capacity development means zooming in (to understand the internal dynamics of organizations and people working within each programme) and zooming out (to observe the enabling environment that either supports or undermines capacity development).

This approach contrasts with earlier institutional efforts that focused on the internal operations of organisations. These often ignored the fact that these operations might be linked to processes and systems external to the organisation (for example information, human resource or budgeting systems). Such systems are multi-faceted and function interdependently. Various organisations (for instance, health ministries, finance departments, district hospitals, doctors' associations, community NGOs, nursing schools) play different roles—mediation, programme delivery, regulation and strategic decisionmaking. Approaches to capacity development that are mainly technocratic come up short given the complex political, cultural, social and physical dynamics of the system.

The new approach is designed to help participants answer some key questions:

Strong political commitment is required to introduce change

☐ What are the broader system dynamics that will influence efforts (internal or external) to develop capacities?

☐ What entry point will give outside intervention the biggest impact and leverage?

☐ What sequence of activities should be followed and why?

☐ What results can be expected, at what level and under what conditions?

Change means uncertainty. The process of change is often complex and unpredictable. Economic, social, political, cultural and psychological factors can all affect the momentum and direction of organizational and individual change. The impact of the external sector, particular trade links and donor conduct can exacerbate the uncertainty. Thus change has degrees of risk and ambiguous outcomes that need to be factored into all capacity development programmes. Flexibility, continuous learning and feedback, adequate timing and managed expectations are key factors to be considered in the design stage.

Change requires resources. Developing capacities without adequate financial resources and physical infrastructure results in trained people and organisations without the budget and facilities to do their job. Available and coordinated resources for managing change, developing capacities, capital investment and recurrent costs are critical.

Capacity development requires new approaches by donors

The demands of capacity development are changing the role of donors. National ownership and execution is reducing the need for donors to be directly involved in programme and project implementation. The OECD's Development Advisory Committee (DAC) Principles for Effective Aid have led the way for their new role. The emphasis now is on donors shifting slowly to facilitating, in which advocacy, networking, training, technical support and monitoring are emphasised and management de-emphasised (box 3). Donors must now provide developing countries with more access to information and experience through their own resources or other global networks and pools of knowledge. Donors must see themselves as knowledge and learning organisations that are rich in information and ideas. This role will become more important as donors' ability to finance a wide range of development activities declines.

Donors must see themselves as knowledge and learning organisations

Donors must develop coherent capacity development programmes, supported by multidonor consortia that are nationally led and that follow DAC principles. Project-by-project financing and different approaches to long-term use of experts, national renumeration, contracting and accountability make it difficult for developing countries to formulate and implement comprehensive strategies.

The transition to new approaches will be difficult. Donors will feel a loss of control and accountability. Developing countries will be slow to develop their management capacities and accountability systems. In the long-term, however, the price of inaction may outweigh expedient, high-visibility, short-term approaches.

The full use of existing capacities and their sustainability requires a comprehensive and integrated approach

Capacity development is both a means and an end for sustainable human development. It empowers people to realize their potential and better use their capabilities, and assures ownership and sustainability of development programmes.

A broader, more complex view of capacity development is thus emerging. It goes far beyond training or systems and structural improvements of formal organisations. It means a society-based approach, building consensus around national goals and programmes, using existing capacities, focusing on people and incorporating characteristics of good governance, while taking

Box 3. Rethinking Technical Cooperation

Technical cooperation programmes have often been effective in providing direct, operational support—and can help in getting the job done. The record is poor, however, when it comes to the training and transfer of know-how and to building sustainable capacity for managing development. Most criticisms are leveled at the resident expatriate personnel involved in technical cooperation, which seems to discourage learning by doing. The expert counterpart model is used only in technical cooperation and is not generally useful for developing professional expertise and re-enhancing the productivity and skill level of staff.

Resources used in technical cooperation are large—often similar in magnitude to the public-sector wage bill or total export earnings. There is a need to strengthen management of these resources by a system of rational allocation within programming development.

Many involved in technical cooperation (both recipients and donors) find many aspects of it disturbing. In particular, long-term resident experts on technical cooperation can send a strong message against empowerment and ownership. This is often seen as donor driven and motivated by concerns for financial accountability. The widening gap between salaries and conditions for expatriate personnel and civil servants can cause resentment and frustration, contributing to demoralisation in the civil service. Often the demand for technical cooperation comes less from the need for technology transfer and more for operational activities resulting in long-term dependency on the resources.

Much of the reason for the poor impact of technical cooperation lies in the overall environment. When national institutions do not function well, donors are tempted to pump in technical cooperation. But the civil service in many countries is in crisis—with severe budgetary constraints leading to reduced pay, retrenchment and reduced operating budgets. The fluid political environment of transition tends to increase politicisation of the civil service and weaken it. Political crises and weak administration, combined with economic decline, have hurt governance. Positive experiences in technical cooperation tend to be in countries where the overall environment has not deteriorated and may not be replicable where minimum conditions of good governance do not prevail.

Source: Beyond Rethinking Technical Cooperation; New International Cooperation for Capacity Building in Africa. UNDP/Regional Bureau for Africa, June 1994.

the larger policy-related enabling environment into account and placing technical cooperation and official development assistance in a supportive role. These all underpin UNDP's approach to the development and improved use of existing capacity.

Unfavourable policy environments in many countries have not made it easy for sustainable capacity development. The challenges are formidable, and

some remedies are clear. Good governance helps organisations function, free from undue politicisation. Participation and democratisation allow citizens and consumers to demand better performance and accountability from organisations that are supposed to serve them. Development of capacity must supplement and enhance national practices rather than replace them. As development organisations must focus on partnerships, facilitation and performance, individuals must be given incentives, information, resources and skills to carry out their work.

IMPLEMENTING CAPACITY DEVELOPMENT

How does UNDP assist in capacity development? What special contribution can it make, given its history, strengths and assets, organisational structure and perceived impartiality? How can it link interventions, both global and national, to be effective?

Policy

In the early 1990s UNDP studied six countries (Bolivia, Central African Republic, Ghana, Morocco, Sri Lanka and Tanzania), conducting research on how sustainable capacities are developed. In 1993 the Regional Bureau for Africa prepared a study on National Technical Cooperation Assessments and Programmes. The results provide guidance to UNDP country offices designing and implementing capacity development programmes.

In 1995 a global workshop endorsed the new definition of capacity development. It recommended that UNDP take on three core functions for sustainable human development—advocacy, capacity development and coordination—and that new tools and methodologies be developed. This was endorsed by UNDP's senior management. A new method for capacity assessment has been developed, and a soft-ware design for improved capacity-development-related projects (CAPBUILD) is being field-tested.

Thematic Focus

Over the past few years, UNDP has concentrated on development that promotes people's choices, welfare and capabilities. (See *Human Development Reports* since 1990). By 1993 UNDP had pulled the different strands together under the broad heading of sustainable human development—that is, helping countries, organisations, groups and people to develop the capabilities to make choices and improve lives. Poverty elimination is the ultimate goal, and capacity development the means (box 4).

This approach puts particular emphasis on the creation of an enabling environment—combining equity and growth in national development policies, putting in place an appropriate institutional structure that can formulate and design sustainable human development policies and developing capacity for good gov-

**Figure 3
UNDP areas of focus**

Enabling environment for social development
Major UNDP role, through good governance and macro-level initiatives

Employment and sustainable livelihoods
Major UNDP role; the main focus of UNDP's poverty work

Poverty eradication
Major role in two contexts: (a) assisting governments to development integrated anti-poverty strategies and plans of action and (b) bringing United Nations system together

Sustainable management of environment and resources
Intermediate UNDP role; important UNDP responsibilities

Advancement of women
Intermediate UNDP role; important responsibilities. Major for UNIFEM

ernance and participation of all. Furthermore, UNDP's support for sustainable human development focuses on four integrated, multisectoral areas—poverty eradication, advancement of women, employment and sustainable livelihoods and management of natural resources and the environment (figure 3).

Processes

Given UNDP's focus, how does it programme and use resources? This is done at three levels—advocacy and policy dialogue, support to key capacity development and coordination of resources to maximize their impact.

Advocacy and policy dialogue
This means working with developing countries to answer three questions. Capacity development for what? For whom? And why? Globally, UNDP helps forge international consensus on key human development issues through inter-

national forums, such as the World Conference on Social Development (1995), and then helps translate them into national policies and action plans. It also influences international debate through its annual *Human Development Report*—and in programme countries, through debate, and through national versions of the *Report* and other instruments, such as long-term perspective studies. UNDP also supports efforts to reach national consensus on sustainable human development. This can include supporting long-term visioning and planning, facilitating development of strategies and action plans for change and development (poverty, governance, gender, natural resources) and assessing national capacity requirements. UNDP acts as an impartial broker, building broad-based consensus among stakeholders. It also provides technical cooperation through its global knowledge and experiences in sustainable human development.

Developing Key Capacities

Support for capacity development is provided at two interrelated levels:

☐ **Enabling environment.** UNDP support is directed to the creation of an enabling environment that can help provide policies, legal frameworks, opportunities, incentives, resources and space—and hope for people. This mostly addresses crosscutting issues, particular in good governance and the macroeconomic framework. Many involve complex issues in society, requiring long-term processes and the ability to respond

flexibly to changing circumstances. Critical areas of technical cooperation include developing capacities to support (box 5):

☐ National visions, policies, strategies, programme frameworks and legislation that support sustainable human development.

☐ People-centred sustainable macroeconomic frameworks.

☐ Governing institutions and systems (the judiciary, parliament, human rights) and decentralisation.

☐ Critical cross-sectoral public-sector institutions responsible for systems for policy coordination, planning, economic, financial and fiscal management, and accountability.

☐ Processes that encourage societal interaction and build consensus.

☐ Civil society institutions, such as NGOs, the media and unions.

☐ Crisis countries to mitigate and respond to emergencies for conflict resolution and to develop core institutions of governance and support people-centred development.

☐ **Focus areas.** UNDP is helping with capacity development of key national stakeholders (line ministries, national NGOs, the private sector, community groups) in support of nationally driven, high-leverage efforts. Integration of the four thematic focus areas is a key objective; developing capacities in one area is an entry point to address other focus areas. For example, poverty could include developing capacities to empower women and marginalised groups by decentralising public services and by providing access to productive assets, new skills, credit, land, to market information and legal protection.

UNDP acts as an impartial broker, building consensus among stakeholders

Box 5. Addressing the Enabling Environment in Uganda

Uganda's capacity development plan (prepared by the Capacity Building Secretariat of the Economic Planning Department of the Ministry of Finance and Economic Planning) is designed to develop an institutional framework that will guide both Ugandan organisations and the donor community in their contributions towards capacity building. Priorities include:

■ Strengthening capacity for policy formulation in government, starting with economic policy.

■ Strengthening the manpower planning function and linking manpower planning to the training function.

■ Strengthening the legal and judicial system.

■ Enhancing the contribution of women to policy development and management.

■ Strengthening local management training institutions.

■ Strengthening capacity for policy analysis outside government.

■ Strengthening the accountancy profession.

■ Strengthening the local consulting profession.

■ Strengthening technical and vocational education and industrial training capacity.

■ Strengthening NGOs.

■ Encouraging the return of skilled Ugandans.

Holistic programmes address key upstream issues (such as policy, regulatory frameworks and management of change) and provide downstream support, including catalytic demonstration projects and capacity development of high-leverage areas which will improve the impact of overall systems. Each programme may also be linked to improving the overall enabling environment.

Coordination of External and Internal Resources

UNDP also wants to ensure that development resources are coordinated to be more effectively used and have greater impact. To this end, it is supporting several initiatives:

☐ In the 1990s, coordination and management of external assistance is shifting from donors to national governments. UNDP is giving priority to the development of capacities of national authorities to manage external and national resources in an accountable way. To improve transparency and account-ability, UNDP is supporting a global programme (the Programme for Accountability and Transparency) to improve financial and accountability systems.

Coordination is shifting from donors to national governments

☐ Attention is being given to national authority capacities in roundtable meetings and consultative group mechanics to coordinate assistance, discuss policies and mobilise resources. In some instances, UNDP is supporting NGOs and the private sector in these processes.

☐ UNDP's programme approach helps national authorities to coordinate all resources for a theme, sector or region. In this way UNDP resources are leveraged, and the impact is increased. UNDP also provides management services that help accelerate the implementation of national programmes for sustainable human development.

☐ Through the resident coordinator system, UNDP is helping the UN development system to coordinate national priorities for sustainable human development. In most countries a Country Strategy Note serves as a common framework for UN development activities. The resident coordinator also helps coordination by providing information on development, acts as a broker between donor and national parties, mobilises resources for development programmes and crises, and helps coordinate UN mandates and global initiatives nationally and support countries to mainstream mandates into national poli-cies and programmes.

Integrating advocacy, capacity development and coordination
Adopting a comprehensive approach, UNDP integrates these three levels to address national priorities in each of its programmes:

☐ Advocates for people-centred approaches to help define clear goals, policies and strategies.

☐ Strategically develops key capacities to attain high-impact national goals for sustainable human development.

☐ Provides critically required development services, particularly in the area of aid coordination, to ensure that resources are not spread thin and are focused on achieving priority national goals.

In this manner UNDP ensures that both the issues related to the policy environment, the overall context and the specific capacity requirements are coherently addressed and coordinated.

TOOLS and FRAMEWORKS

UNDP has introduced ways to make capacity development and technical cooperation sustainable. Some ways have been fine-tuned over the years; others are still in the early stages. All need to continuously change and adapt to country and global circumstances .

Programme Approach

UNDP's capacity development programmes depend on one key principle for effectiveness: that UNDP support must be integrated into national development plans and programmes. UNDP's methodology is both an implementation tool and legal document, rapidly replacing the project document format. It defines and provides external assistance through a cohesive national programme framework. It helps governments to articulate national priorities and realize sustainable human development objectives through participatory national programmes. It also provides a logical approach that integrates macro and micro planning and management of national development.

Although the right conditions and commitments need to be in place, the programme approach has various advantages:

☐ **Policy and advocacy.** Before a programme is initiated, UNDP supports national authorities to ensure that the national framework—the combination of goals, policies, strategies and investment commitments for a programme area—are in place. UNDP provides experience in sustainable human development and develops capacities to manage implementation.

☐ **Capacity development.** Programme objectives for capacity development are built into requirements of programme themes, sectors, cross-sectors, institutions or geographic areas. Given its roots in national priorities, conditions and existing capacities, the programme approach can contribute to commitment and ownership.

☐ **Coordination.** Capacities are developed so that all resources (internal and external) are coordinated to achieve common national goals and improve effectiveness.

The programme approach, the main vehicle for the delivery of resources, is always implemented by national authorities. Initially designed in the late 1980s, it is now being updated to reflect new experiences and provide greater flexibility. Where the programme approach is not possible, UNDP continues to use the project format. CAPBUILD for Institutions, a soft-ware programme, has been developed to help better design capacity requirements into projects.

National Execution

For effectiveness, capacity development depends on accountability, owner-ship, learning-by-doing and the experience of national participants. Over the past 20 years UNDP has shifted from agency execution (implementation and management of projects by UN technical agencies) to national execution to encourage these trends. Through national execu-tion, which now covers more than 75% of all activities, national authorities are responsible for the management and implementation of UNDP-supported projects and programmes.

Care in design is needed to ensure that capacities for implementation are in place

Advantages of national execution vary from country to country, but in all, there is a sense of national ownership. National execution allows for a greater technical continuity after for-eign technical staff leave—and opens up opportunities for local people to gain experience. Its decentralized approach to management is more respon-sive to local conditions. It does not, however, guarantee capacity develop-ment and sustainability. Broader factors have more influence on organisational effectiveness—salary levels, administrative traditions, avail-ability of financial resources and political conditions. Care in design is needed to ensure that capacities for implementation are in place before national execution is fully introduced or there is a strategy to develop them over time. Experience has shown that without adequate capacities to man-age, such programmes rely heavily on UNDP support for implementation.

Capacity Assessment

An essential step in planning of programmes is to undertake a diagnosis of the requirements—assessing capacity requirements, as well as identifying a suitable change strategy that takes the enabling environment into consideration.

Techniques to carry out institutional assessments of individual organisations have been in use for years. UNDP has designed an instrument to assess capacity needs for the programme approach. In this approach the process is important: the assessment should be carried out in partnership with stakeholders and beneficiaries. Key stakeholders include senior managers, national experts, resource suppliers and others with a direct interest in the outcomes. A continuous and flexible approach throughout the planning and implementation phases will respond to local realities, the management of expectations and the risks associated with change. The role of the external partner is to facilitate the process of analysis and to develop capacities to manage and implement change.

Before initiating an assessment, it is important to define the parameters of the programme, which should be based on the ability to manage and absorb change and the political will and resources. The size, scope and duration of programmes must be scaled to reflect the country situation and capabilities. In summary, this capacity assessment approach involves four steps:

A hierarchy of interrelated objectives as well as strategies to reach these objectives

Step 1. Mapping the starting point

Step 2. Determining where to be—and establishing objectives

Step 3. Determining a change strategy to get there—the *How* (box 6 provides questions to guide planning for a change strategy)

Step 4. Determining what capacities are needed to get there—the *What.*

The net result of the first three steps should be a hierarchy of interrelated objectives that address the overall policy context (addressing issues related to overall management and the enabling environment in figure 1), entities and individuals—as well as strategies to reach these objectives. Once the interrelated hierarchies of objectives are identified, the fourth step is to identify capacity requirements for each level of objectives:

1. Policy context—capacity development requirements at the highest level address the needs of the larger systems—themes, sectors, institutions and geographic boundaries. These

requirements include policies; strategies; legislation; and capabilities to coordinate, manage changes and implement programmes.
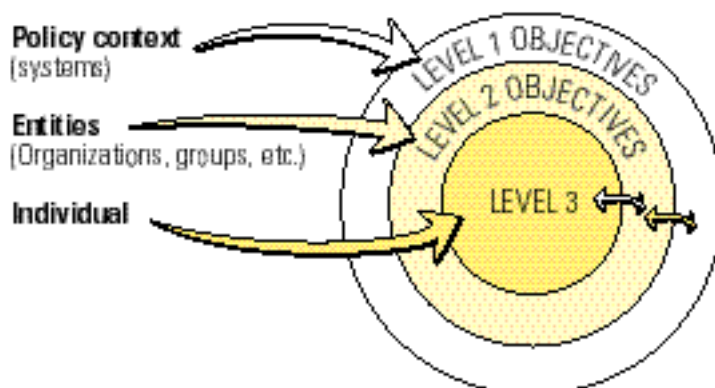
2. There are entities such as organizations and formal and informal groups whose efficiency and effectiveness is improved. Key capacity requirements to be assessed include at the organisational level: vision and mission, strategy, policies and values, competencies and functions, processes (internal and external), human resources and financial information and physical resources.

At the formal and informal group levels (such as for community groups), capacity requirements be seen in terms of capacities to organise, build consensus, plan, budget, implement, learn and evaluate in a participatory manner.

3. Individual core capacity development occurs at the individual level. The emphasis is on continuous and incremental learning, formal and informal training, skills development, improved human resource policies, incentives and improved information and accountability systems. Team-building, twinning arrangements and partnerships also help individuals to increase their capabilities.

The three interrelated levels are demonstrated in figure 4.

Figure 4
Hierarchies of objectives for capacity assessment

By assessing the capacity requirements of each level, hierarchies of interrelated programme objectives can be defined—starting with those for policy and management, moving to the organizational and group requirements and, finally, the individual objectives. Each level of objectives will be related to complementary outputs, activities and inputs. Outputs will reflect capacities achieved, while activities will describe the actual acquisition and development of capacities and the related changes needed in policies, structures, systems and competencies.

Participatory Consultation

How can capacity development be made people-centred? And how can the participation of stakeholders and beneficiaries, social innovation, organisational learning and changes in ideas and patterns of collective behaviour be

7. Cost-effectiveness—Are the strategies and partnerships cost-effective? Have the right entities and people been assigned to the right roles? Are adequate resources and operating budgets available? From where?

8. Results-oriented—Does the programme design bring together the values, policies, skills and resources (technical, capital, operational) required to achieve timely results and measurable outputs?

9. Use of existing capacities—Does the programme design make maximum use of the country's existing capacities, particularly in the private and nonformal sectors? Has attention been given to policies and incentives that will retain and improve the utilization of these capacities? How does the enabling environment affect the sustainability of capacities?

10. Transparency and accountability—Will the organizations and entities have clear lines of responsibility and expected levels of performance? Clear managerial responsibilities? Operations that are independent, verifiable and accessible to the public?

11. Human resources—Are managerial, professional and technical skills appropriate for the tasks to be accomplished? Is there sufficient staff? Is there a personnel system with clear policies? Are the values, principles, customs, needs and experiences of those involved (or affected) taken into consideration? Are principles of inclusiveness, equity and transparency upheld?

12. Continuous learning—Do the task network and individual entities have a strategy to obtain internal and external information, experiences and training to continuously upgrade their skills and capacities? Do the new capacities encourage and recognise continuous improvement, experimentation and innovation?

ensured? UNDP has adopted various participatory methods that help. Some are for community-based organizations, while others are designed for organisational change or complex emergencies and social dislocation.

One promising approach, particularly for governance-related programmes, is process consultation in which UNDP helps national stakeholders initiate and sustain organisational change and continuous learning for systemic improvement. Outside assistance does not give direction, provide leadership or prescribe a detailed course of action; instead, it helps others to develop abilities to manage change. National ownership and accountability remain at the heart of process consultation. The method is especially helpful in building national capacity to assess, define and manage capacity-building programmes.

Information Revolution and Capacity Development

Traditional technical cooperation has relied on training and expert assistance as the main ways to transmit technical information. The global information and communications revolution is changing all that. Networks (local, national, regional and global) are becoming the organisational structure of the information age.

These trends promise to profoundly alter traditional approaches to technical cooperation and capacity development. Small NGOs and other non-state groups can now compete with governments to gain access to information. Global networks can provide advice (expert systems and best practices) at a fraction of the cost of traditional technical cooperation and with fewer conditions. Virtual capacity can be developed in poorer countries and can bypass bureaucracies that can no longer perform. And organisations in developing countries will be able to become part of larger transnational systems through communication linkages. Civil society institutions and the private sector in many developing countries can access knowledge sources that provide various options and approaches. Not only is this speedier access to information but it is achieved at lower costs and gives beneficiaries more control over how information is accessed and used. It also allows capacity development to be continuous and more flexible.

The information revolution has important implications for governance

The information revolution also has important implications for governance. Better informed citizens and institutions are better able to participate in governance and administration. Public-sector institutions not only have to improve their effectiveness; they are under increasing pressure to be more open and accountable to the people. With more options and information available to citizens, the private sector is also moving to improve the quality of products and is becoming more sensitive to the impact on people's lives and the environment.

UNDP is taking advantage of this global phenomenon and responding to new opportunities. It is establishing networks of people and institutions involved in sustainable human development nationally, regionally and globally. The networks are assisting programme countries to learn from each other, share resources and interact locally and globally. UNDP's Sustainable Development Network Programme is developing the capacity of countries to access the

Internet and is providing connections to civil society organisations. In all regions, initiatives are supporting specialized networks. For example, the Management and Governance Network (MAGNET) is the global hub for national and regional networks involved in governance.

Monitoring and Evaluation

UNDP's approach to monitoring and evaluation ensures an objective basis for performance assessment during planning and design. More specifically:

☐ Programmes and projects have clear and unambiguous objectives.

☐ For programmes and projects with several objectives, a clear articulation of the cause-and-effect relationships that link the objectives.

☐ Performance indicators that provide a valid, reliable and practical basis for judging whether each objective has been met.

Box 7 Monitoring and Evaluation in UNDP's Capacity 21 Programme

The Capacity 21 Programme of UNDP primarily supports sustainable development initiatives. Experience points to two main lessons. First, capacity development is about instilling new attitudes, values and techniques in individuals, groups and organisations that lead to new behaviours and better performance. Monitoring and evaluation must be designed to contribute to this. To be effective, capacity development cannot be a reporting and control device designed mainly to meet the accountability requirements of donors. It must be an indigenous function by which national participants and stakeholders focus on their own performance, learn from experience and adjust their behaviour. That is why Capacity 21 provides training and technical assistance as well as feedback and advice on issues raised by programme-monitoring reports.

Second, the techniques of monitoring and evaluation must be adjusted to take account of the special demands of capacity development. Progress as well as outcomes must be monitored. Baseline data (how an organisation or system performs at the beginning of outside assistance) is crucial to judge progress. A few performance indicators should be selected and used by participants. Both quantitative and qualitative assessments are needed to deal with the complexity and ambiguity of capacity issues. System changes at the political, social or environmental levels need to be monitored. And more time is frequently required to come to a serious judgment on the impact of outside interventions on organisational change.

☐ Precise targets that define expectations of quantity, quality and timeliness for each indicator.

☐ Realistic plans for collecting baseline and performance data for each performance indicator.

In a participatory, consultative approach in designing programmes, monitoring and evaluation must also involve key stakeholders so that it becomes an exercise in learning and capacity development (see box 7). Evaluation adds value when the focus is on strategic issues and questions about why things happened, rather than what. Moreover, evaluations should be forward-looking—learning from experiences.

CHANGING ROLE for UNDP COUNTRY OFFICES

To initiate, support and use these capacity development approaches and tools, UNDP country offices are changing and improving. Most are:

☐ Reorganising to work in thematic teams empowered to advocate, support programmes, be accountable for quality, impact and learning and provide feedback from experience.

☐ Helping to translate global mandates into national policies and programmes.

UNDP today is a dynamic development partner

☐ Supporting and developing knowledge networks in countries that could improve UNDP's substantive capacities and reliance on indigenous information, knowledge and experiences.

☐ Establishing knowledge centres in the office, where development practitioners can access the latest national development information and global information sources and networks through the Internet and e-mail.

☐ Providing flexible services, such as a forum for dialogue among government, civil society, the private sector and donors.

☐ Providing sources for development information for all partners and sources of management services.

☐ Working with local development institutions and community groups to study and research issues related to sustainable human development and use the findings to initiate policy discussions among various groups in society.

UNDP country offices are known as a source of technical cooperation to meet national priorities. UNDP today is more than that. It is a dynamic development partner, working with a wide variety of development partners to support a learning process, advocating people-centred policies, developing critical capacities for sustainable human development and linking national processes to global knowledge bases and experiences.

FIVE COUNTRY EXPERIENCES

Bolivia Capacities were developed for 180 organisations and tens of thousands of users to network for sustainable human development. This programme is supported by UNDP's Sustainable Development Network Programme (SDNP) which is presently enabling people in 24 developing countries to take a quantum leap forward by expanding their ability to exchange information nationally and internationally. An estimated 5,000 institutions already utilise the SDNP network to secure access to information for sustainable development and improved governance.

Costa Rica The National Development Plan was reviewed to adjust it to reflect the country's full commitment to the sustainable development goals of (UNCED's) Agenda 21. Capacities were also supported to introduce legislation to reduce energy demand and improve conservation, improve systems to protect national biodiversity and to introduce sustainable development concepts into formal education curricula. These activities are supported through UNDP's Capacity 21 Programme. Launched at the 1992 UN Conference on Environment and Development, it aims to develop, enhance and use the skills of people and institutions for sustainable development.

Mongolia The UNDP-funded National Management Development Programme was instrumental in developing core capacities. Reform, led at the highest level of government and parliament, has been initiated and capacities developed in the public sector, privatization, private-sector development, decentralisation and accountability and management information systems. For the second phase, this has been expanded to include developing capacities of parliament and other governing institutions.

The Sudan The UNDP-supported Area Development Scheme works directly with more than a half million of the poorest people in 2,000 villages to develop the ability of community organisations to manage development programmes, including income-generating activities, through village-run credit schemes, resolve conflicts through consensus building, and manage the fragile natural resource base. This is an excellent example of an integrated, decentralised and participatory approach.

Tanzania Civil society organisations and NGOs in urban areas are being supported to develop their capacity to enter into partnerships, dialogue with government authorities, influence policies and resources and implement 17 demonstration projects to share experiences and show alternative approaches to participatory and sustainable urban development. UNDP's Local Initiative Facility for Urban Environment Programme (LIFE) has created a global laboratory to improve local governance capacities in urban areas.

Visit UNDP's Website

For further information on UNDP policy documents, programmes and experiences that support capacity development, visit UNDP's website at:

HTTP://WWW.UNDP.ORG

For documents on governance and capacity development, visit the Management Development and Governance website via hypertext through the above internet address or visit UNDP's Management and Governance Network (MAGNET) website directly at:

HTTP://MAGNET.UNDP.ORG

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Conventional ideas about organizational engineering are being supplemented by broader notions on promoting learning, empowerment, social capital and an enabling environment. Donors are using different intervention points into capacity systems. Informal patterns of personal and societal behaviour—the rules of the game—are now better understood. And there is more appreciation of the need to complement, not replace, indigenous habits and practices. All of these are slowly forming into a body of concepts called *capacity development*.

This UNDP Technical Advisory Paper details UNDP's definition and approach to capacity development—based on three cornerstones. It is a continuing learning and changing process. It emphasizes better use and empowerment of individuals and organizations. And it requires that systematic approaches be considered in devising capacity development strategies and programmes.

UNDP—at the request of governments and in support of its areas of focus—assists in building capacity for good governance, popular participation, private and public sector development and growth with equity. It stresses that national plans and priorities constitute the only viable frame of reference for the national programming of operational activities for development within the United Nations system.

Playing a leading role in coordinating the human development efforts of the United Nations system, UNDP forges alliances with the people and governments of developing countries, with the donor community, with UN agencies and with private institutions and nongovernmental organizations.