

Evaluation of Capacity Development in Danish Development Assistance

Annex H: Danida's Approach to Capacity Development

November 2015

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Danida's approach to capacity development (CD) has been closely linked to its policy framework, which has evolved under influence of the High Level Fora on aid effectiveness: the Rome Declaration (2003); the Paris Declaration on Aid Effectiveness (2005)¹; the Accra Agenda for Action (2008); the Busan Partnership for Effective Development Co-operation (2011); and the Mexico Partnership for Effective Development Co-operation – Building Towards an Inclusive Post-2015 Development Agenda (2014). Because of the temporal scope of the Evaluation, the policies, strategies and guidelines up to 2011 have been used for formulation, appraisal and reviews of Danida's interventions under this Evaluation – those after 2011 may have influenced the later stages of those programmes, and those after 2013 will be of relevance for Evaluation's recommendations for new and future programmes as regards capacity development. The main Danish policies, strategies and guidelines are shown in Box 1.

Box 1: Main Danida policies, strategies and guidelines

Policies and strategies

- A Developing World: *Strategy for Danish Development Policy towards the Year 2000*, 1994
- A World of Difference: *The Danish Government's Vision for New Priorities in Danish Development Assistance 2004-2008*, 2003
- A World for All: *Priorities of the Danish Government for Danish Development Assistance 2008-2012*, 2007
- Freedom from Poverty - Freedom to Change: *Strategy for Denmark's Development Cooperation*, 2010
- The Right to a Better Life: *Strategy for Denmark's Development Cooperation*, 2011.
- Strategic Framework for Priority Area: *Growth and Employment 2011-2015*, 2011
- A Greener World for All: *Strategic Framework for Natural Resources, Energy and Climate Change*, 2013

Programme management guidelines

- Guidelines for Sector Programme Support (Including Project Support), 1996
- Guidelines for Sector Programme Support, May 1998
- Guidelines for Programme Management, August 2003 and subsequent editions up to October 2009
- Guidelines for Programme Management, September 2011
- Guidelines for the Development of Policy Papers for Denmark's Relations with Priority Countries, January 2013
- Guidelines for Country Programmes, July 2013
- Guidelines to Risk Management, August 2013
- Guidelines for Programmes or Projects (Above 35 Mill. DKK), March 2014
- Guidelines for Country Programmes, April 2014

Technical assistance guidelines

- Technical Assistance in Danish Bilateral Aid – Policy Paper, February 2004
- Guidelines for Technical Assistance, June 2009

Capacity development guidelines

- A Results-Oriented Approach to Capacity Change, February 2005
- Guidance Note on Danish Support for Capacity Development, August 2006
- Addressing Capacity Development in Danish Development Cooperation, Guiding Principles and Operational Steps, January 2011
- Applying Political Stakeholder Analysis – How can it work? 2011
- Policy for Danida Capacity Development Support Programme, May 2014

¹ The Paris Declaration on Aid Effectiveness, March 2005 has five principles related to: ownership, harmonisation, alignment, results, and mutual accountability.

Programme management is intricately interwoven with the technical assistance and capacity development modalities. Brief descriptions of these three dimensions are elaborated below in relation in to Danida's policies, guidelines, etc.

Programme Management

The "Guidelines for Sector Programme Support (SPS), 1996" included a revision of the Logical Framework Approach, and the need to establish a clearer basis for impact monitoring. 'Development of sector policy and planning capability' and 'Support to capacity development' were mentioned as examples for Danida's support. An updated version of the SPS Guidelines was issued in 1998 to align the approach to development cooperation as outlined in '*A Developing World*'. The SPS focused on the broader scope of capacity development at central, regional and local levels with due attention to national ownership. The SPS promoted effective coordination by the national partner. Established or emerging national sector policies, strategies or programmes were to function as a framework for development assistance. The institutional capacity was to be assessed at three levels: i) the institutional context; ii) the institution/organisation as an entity; and iii) the present management staff. Implementation of the SPS and its components were the responsibility of the national partner.

In 2003, Danida issued "Guidelines for Programme Management, 2003" (GPM) that replaced the 1998 Guidelines. A sequence of editions was issued up to and including the 2009 GPM. The objective of the Guidelines was to provide the necessary tools for the preparation, implementation and monitoring of sector programmes and other programmes. The aim was to move from separated Danida activities towards the application of the '*Sector Wide Approach*', '*Sector Budget Support*', and alignment with the national partner's procedures and formats. The national policy framework should be analysed including the poverty reduction strategy with due attention to the '*Millennium Development Goals*' (MDGs). In line with the commitments of the Paris Declaration (2005) and the Accra Agenda for Action (2008), the underlying principle of the GPM was to strengthen and use country systems to the maximum extent possible in the implementation of development assistance to public partners. The institutional and organisational set-ups as well as the landscape of stakeholders were essential elements in the analysis of the sectors and were the basis for defining the needs for capacity development and technical assistance.

An update of the GPM in 2011 was prompted by several events, most notably the adaption of the new overall policy for Danish development assistance entitled "Freedom from Poverty – Freedom to Change (2010)". A major change in policy with consequences for programme management was the focus on five policy priorities (i.e. growth and employment; freedom, democracy and human rights; gender equality; stability and fragility; and environment and climate) – thereby abolishing the notion of crosscutting issues and particular priority themes. There is a reference to the "Guidance Note on Danish Support for Capacity Development, 2006" and "Guidelines for Technical Assistance, 2009" in the 2009 and the 2011 GPM.

The Strategy for Denmark's Development Cooperation "The Right to a Better Life, 2011/2012" was adopted in 2011 and has the dual purpose of reducing poverty and promoting human rights – expressed through four strategic priority areas: 1) Human Rights and Democracy; 2) Green Growth; 3) Social Progress; and 4) Stability and Protection. Consequently, Denmark embarked on a 'Country Programme Concept' as reflected in the "Guidelines for Country Programmes" and which replaced the 2011 PMG. Henceforth, the country programmes should relate to the Busan Agenda, i.e.: ownership of development by partner countries; results focus; inclusive development partnerships; and transparency and accountability. Denmark supports the broadening of focus from '*effective aid*' to a focus on cooperation for '*effective development*' with a strong emphasis on results and efficiency in all forms of cooperation.

Guidelines for Country Programmes, 2013 and 2015: The Strategy for Denmark’s Development Cooperation “The Right to a Better Life, 2011/2012” was adopted in 2011 and has the dual purpose of reducing poverty and promoting human rights – expressed through four strategic priority areas: 1) Human Rights and Democracy; 2) Green Growth; 3) Social Progress; and 4) Stability and Protection. Consequently in 2013, Denmark embarked on a ‘Country Programme Concept’ as reflected in the “Guidelines for Country Programmes”, which replaced the 2011 PMG. Henceforth, the country programmes should relate to the Busan Agenda, i.e.: ownership of development by partner countries; results focus; inclusive development partnerships; and transparency and accountability. Denmark supports the broadening of focus from ‘*effective aid*’ to a focus on cooperation for ‘*effective development*’ with a strong emphasis on results and efficiency in all forms of cooperation. The 2009 TA Guidelines and the 2011 CD Guidelines continue to remain valid.

Danida’s paradigm for programme management has shifted significantly – from the one that was in existence for the programmes under the Evaluation – with the introduction of “Guidelines for Country Programmes” (GCP) for Denmark’s priority countries. The first version of the GCP was issued July 2013 and was replaced by a new version in April 2015 (see Box 8 below). The overall framework remains unchanged, but a number of changes have been made:

- The GCP includes a section on ‘Theory of Change’ – replacing the requirement that country-level programming should adhere to the five OECD/DAC criteria;²
- More guidance on monitoring of results reporting and a revised results framework, including the introduction of ‘Real-Time’ evaluation; and
- More guidance and focus on fragile contexts and how flexibility can be applied in countries fragility and conflicts.

Danida’s “Guidelines for Priority Country Policy Papers” (January 2013) are complimentary to the GCP and aim to guide the preparation of Country Policy Papers. A Country Policy Paper sets out the strategic direction and objectives for the development cooperation for a given priority country and feeds into the preparation of the ‘country programme’. The Guidelines include a list of areas to be included in the background analysis, which among others include:

- Capacity of the public sector for: policy-making, public sector reforms, enforcement, and public service delivery. The role and strength and capacity of the private sector and civil society;
- Drivers of change and speed and direction of change, e.g. political, institutional, economic, etc.;
- The dynamics of the partnership and overall achievements in country ownership, alignment, accountability – and reform in key areas and delivery of development results

While the GCP makes frequent references to capacity development, they could provide more direction and guidance on the design, planning and implementation of capacity development initiatives, ex. the list of analytical areas for the identification phase does not mention capacity development (p.20). Capacity development is, however, mentioned in connection with appraisal (p.31) and reviews (p.47) but it is far from providing practical guidance to managers and practitioners. In short, while the GCP provides a sense of policy direction, it does not really provide practical support to those faced with the management of the capacity development “programme cycle”. The “Guiding Questions for Country Programme Preparation Process” (from the Danida toolbox) have questions of significance for CD:

² Appraisals will assess the design of the programme against the five OECD/DAC criteria of relevance, efficiency, effectiveness, impact and sustainability (p.31).

- How has the political economy analysis informed the thematic programme design? Who are the drivers of change at the operational strategy and engagement level? Do they have the necessary mandate and capacity to deliver? Who are the duty-bearers and rights-holders? What role do CSOs and the private sector play?
- What are the human resources requirements for the partners implementing the development engagements – and for the Danish Mission? What type of capacity development or technical assistance has been considered under development engagement, and based on which analysis?
- How will development engagements be sustained, and by whom, after the completion of the Danish support?
- Although one needs to focus on capacity as a starting point for development, how are programmes and projects going to be justified on an evidence-based approach, and how will objective evaluations of the state of the specific capacities be carried out and integrated into programming and planning?

CD is touched upon in several sections in the GCP, but the message does not come out as strongly as wanted if capacity is seen as a strong driver for change. There is a reference to other guidelines (ref Introduction, p.8), which as regards CD and TA includes: 1) Guidance note on Danish support for Capacity Development (2011); 2) Guide to Political Economy and Stakeholder Analysis at Sector Level (2011); and 3) Guidelines for technical assistance in Danish development assistance (2009). These guidelines still constitute a solid basis, but in view of the issues raised concerning CD and TA in this Evaluation there would be ample prospects for updating the guidelines to be compatible to the new programme management paradigm and to consolidate Danida's processes and procedures supporting effective capacity development.

Technical Assistance

Technical Assistance in Danish Bilateral Aid – Policy Paper, 2004: The Policy Paper sets out Danida's strategy on the provisions of technical assistance (TA). It emphasises: i) that a strong partnership of donors and partners must be built around delivery of TA; ii) TA must be firmly aligned with the country's development aspirations and reflect the national context; iii) TA supported capacity development must be owned by partners and be designed to support their reforms and emerging institutional structures; and iv) the various TA instruments must be used flexibly to respond to a variety of requirements for capacity development. Continuous monitoring of the TA delivery is important to ensure relevance and quality. The partner institution is responsible for the daily management and supervision of the TA input, whereas overall monitoring and assessment of advisers' performance is undertaken jointly between partners and Danida.

Guidelines for Technical Assistance, 2009: Technical assistance is defined as the transfer, adaptation and mobilisation and utilisation of service, skills, knowledge and technology. The Guidelines adhere to the "Paris Declaration on Aid Effectiveness" and the "Accra Agenda for Action" – see Box 2 and Box 3 respectively. Capacity development is regarded the general objective of technical assistance, and the Guidelines follow the capacity development priority areas that have been identified in the Accra Agenda for Action.

Technical assistance includes long- and short-term advisers and consultants, training activities, study tours, seminars and institutional cooperation (twinning arrangements). Experience of Danish technical assistance indicates a need for improving preparation of technical assistance inputs, specifically by enhancing the capacity assessment of the partner institution. The 2009 Guidelines emphasise national ownership, alignment to national procedures and harmonisation of technical assistance.

Box 2: Capacity development in the 2005 Paris Declaration

The capacity to plan, manage, implement and account for results of policies and programmes, is critical for achieving development objectives from analysis and dialogue through implementation of, monitoring and evaluation. Capacity development is the responsibility of partner countries with donors playing a support role. It needs not only be based on sound technical analysis, but also to be responsive to the broader social, political and economic environment, including the need to strengthen human resources.

Partner countries commit to: Integrate specific capacity strengthening objectives in national development strategies and pursue their implementation through country-led capacity development where needed.

Donors commit to: Align their analytical and financial support with partners' capacity development objectives and strategies, make effective use of existing capacities and harmonise support for capacity development accordingly.

Box 3: The Accra Agenda for Action and Capacity Development, 2008

Together, developing countries and donors will take the following actions to strengthen capacity development:

- a. Developing countries will systematically identify areas where there is a need to strengthen the capacity to perform and deliver services at all levels – national, sub-national, sectoral and thematic – and design strategies to address them. Donors will strengthen their own capacity and skills to be more responsive to developing countries' needs.
- b. Donors' support for capacity development will be demand-driven and designed to support country ownership. To this end, developing countries and donors will: i) jointly select and manage technical cooperation; and ii) promote the provision of technical cooperation by local and regional resources, including through South-South cooperation.
- c. Developing countries and donors will work together at all levels to promote operational changes that make capacity development support more effective.

Capacity Development

A Results-oriented Approach to Capacity Change (ROACH), 2005: These Guidelines were the outcome of a desk study of 18 Danish sector programmes, which led to drafting of a methodology for evaluation of capacity development (ref. Footnote 7). The intent of the study was to get a better understanding of what 'capacity' of organisations means and which are the potential constraints and realistic options for changing and enhancing the organisations capacity – not least the understanding of the importance of the contextual influence on the organisations, and identification of factors which can be influenced and which can largely be appreciated. Capacity enhancement of the public sector in poor countries was seen as needed and desired as a key strategy to achieve sustained poverty reduction. Unfortunately, improvement of the public sector has often not been the case – being the reason why donors and partner governments changed from project-focused development assistance to programme approaches such as sector-wide approaches (SWAp) and budgetary support. ROACH focuses on specific organisational results and pays analytical and operational attention to organisations and networks of organisations whose outputs are important for achieving programme objectives.

Guidance Note on Danish Support for Capacity Development, 2006: The Guidance Note builds on the same analysis as the ROACH Guidelines above, which showed that the interventions screened had weak analytical underpinnings both as regards the targeted organisations and the context in which they functioned. The 'traditional' CD support focused strongly on the 'technical functional aspects' (skills development, general management training, structures, procedures, and mandates) but less attention was paid to the external context and political issues. The Guidance Note points to the importance of both considering the internal and external factors when analysing organisational change. External factors are often powerful drivers of organisational capacity change, which could either influence the organisation positively or negatively. According to the Paris Declaration on Aid Effectiveness, the capacity to plan, manage, implement, and account for results of policies and programmes is critical for achieving development objectives. An

organisation's capacity in this Note is defined as “*the ability of the organisation to perform appropriate functions efficiently, effectively and sustainably in pursuit of organisational goals and results*”.

Guide to Political Economy and Stakeholder Analysis at Sector Level, 2011: Over the last decade, it became widely recognized that poverty reduction through aid fails to be effective when power, politics and elitist interests are pushing in the other direction. Conversely, sustainable growth and poverty reduction is enabled when the institutional, political and social context is favourable for such development. Adapting to be effective to the specific context has become a common concern. Thus donors have been engaged in finding ways of factoring power and politics into their analytical work. This has led to positive insights, but it has in general been difficult to translate the results of political economy and stakeholder analysis to specific operational level decisions. Political analysis is apparently better at informing users about what is not feasible than about what is feasible, and better at highlighting risks and vulnerabilities than at addressing them.

As a result, several agencies have been looking at ways to make political-economy analysis more ‘actionable’. An important trend in these efforts have been to move towards sector-level analysis, and adopting – at this level – a close look at interest and power as they articulate along the value chain producing key services and regulations. An additional trend has been to move away from a narrow focus on agency-internal or agency-driven assessments and analyses, towards shared assessments between partners/ stakeholders or assessments driven by country authorities. This is in line with commitments to owner- and partnership as embodied in the Paris and Accra agendas, as well as with emerging international consensus that domestic stakeholders must drive reforms and capacity development.

Addressing Capacity Development in Danish Development Cooperation, 2011: Managing own affairs successfully is an integral part of CD development. Results-focused CD is therefore very much in line with the 2010 Danish strategy for development cooperation entitled “Freedom from Poverty – Freedom to Change”. The Note posits that CD depends on: the broader drivers and constraints in the context; and the ownership and leadership of those whose capacity is to be developed is critical, as external partners can only play a secondary role. CD is as much a political as a technical process taking time and requiring flexible adaptation to the changing context. The Note focuses on public sector organisations where the CD is particular complex, but the principles are equally valid for non-state stakeholders. The core issue of ownership of CD processes is discussed in terms of *change readiness* and the emphasis is on *getting processes and results right*. This implies detailing results in the often ‘missing middle’ between a narrow focus on what donors do and the long-term organisational and sector outcomes and impacts that have to be the focus of sector policies and plans.

The Note states: “*Capacity development cannot be done for others, but only by others themselves*”. Individuals and organisations – and the wider systems – can be incentivised, assisted and facilitated, pushed, rewarded and sanctioned – but eventually, according to the Note, CD are endogenous processes. This is a key message in OECD/DAC’s definitions on CD from 2006 (see Box 4).

Box 4: The OECD/DAC definitions on capacity development, 2006

Capacity is the ability of people, organisations and society as a whole to manage their affairs successfully.

Capacity development is the process whereby people, organisations and society as a whole unleash, strengthen, create, adapt and maintain capacity over time.

Promotion of capacity development refers to what outside partners – domestic or foreign – can do support, facilitate or catalyse capacity development and related change processes.

The messages in the Note do not discard traditional forms of donor support, nor do they employ a simplistic notion of ownership. It does, however, include much more emphasis on the quality and depth of dialogue around capacity development as a precondition for providing effective support, which includes more emphasis on: i) *Change readiness*: CD approaches have traditionally focused on “what needs to be done” – the Note adds a strong focus on “who are ready and able to do what”; ii) *Ownership in practice*: Ownership implies a concrete investment of resources by the partners – otherwise external support from Denmark and other donors will not be effective; iii) *Results at the right level*: More work is needed to focus attention on service delivery and regulatory outputs, as well as on the capacities needed to deliver these at sufficient levels – and not only on what Danish support can deliver on its own; and iv) *Dilemmas*: Donors have to balance a long list of concerns and objectives, and CD is only one of them. Acknowledging the dilemmas will help reaching pragmatic answers to the CD challenge.

Policy for Danida Capacity Development Support Programme, 2014: The purposes of the Danida Capacity Development Support Programme (DCDSP) are to: a) contribute to enhanced organisational performance and long-term organisational development for development partners in the South; and b) offer capacity development support for the promotion of the Danish strategic priorities for development cooperation, and to promote the principles of participation, accountability, non-discrimination and transparency. The Danida Fellowship Programme precedes the DCDSP. The Danida Fellowship Centre (DFC) is mandated to implement the DCDSP. DFC will – on a demand basis – facilitate the integration of CD interventions in the formulation of country programmes in Danida priority countries in cooperation with the Danish embassies and national partners. The DCDSP activities shall form part of the results framework conceived for the respective programmes.

DFC elaborated an Action Plan for its operations for 2014-2017 setting the framework for how DFC may assist the Danish embassies and their national partners in Danida priority countries with formulation and facilitation of CD interventions in country programmes. DFC is currently in dialogue with a number of embassies (Kenya, Myanmar, Bangladesh and Pakistan) in accordance with DFC’s broadened mandate. DFC is also offering a number of thematic courses of relevance for Danida’s country programmes.³ DFC has a network of management & public administration/ training institutions in Kenya, Tanzania, Uganda, Mozambique, Ghana and Nepal that it can draw upon and broker partnerships in relation to training and CD consultancy services.

³ Previously, Danida’s Centre for Competence Development (DCCD) provided training for staff of the Ministry of Foreign Affairs. The DCCD was closed in 2007 and activities transferred to Ministry’s Competence Centre. In 2011, the training activities were integrated in the Ministry’s Human Resources Department.