



Unleashing Capacities to Achieve the MDGs

SUMMARY NOTE

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&
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Table of Contents

1	INTRODUCTION	1
2	CAPACITY, GOVERNANCE AND AID	1
3	CAPACITY CONSTRAINTS AND STRATEGIES TO OVERCOME BOTTLENECKS	3
4	TURNING THE CORNER: KEY AREAS FOR FUTURE FOCUS	6
5	CONCLUDING REMARKS	7
	ANNEX ONE -List of Documents.....	9

Unleashing Capacities to Achieve the MDGs

1 Introduction

With the Millennium Declaration (2000) the world community established a global agenda for peace, security, poverty eradication, democratic governance and human rights. Derived from the Millennium Declaration the eight interconnected and mutually reinforcing Millennium Development Goals (MDGs) aim to tackle the various dimensions of poverty, disease and social exclusion. The deadline for achieving these goals is 2015. Not only will this require a massive increase in official development assistance (ODA) and domestic resources, but it will also demand a review of national strategies for the scaling up of capacity development initiatives. In an effort to inform the latter, UNDP and Chr. Michelsen Institute (CMI) co-hosted the seminar “Unleashing capacities to achieve the MDGs” 1-3 May 2005 in Bergen, Norway. The aim of the seminar was to examine capacity constraints in the work towards attaining the MDGs, and consider how they can be overcome.

This seminar report presents the key points emerging from the seminar deliberations. Section 2, outlines the relationship between capacity, governance and aid, based on presentations and background papers to the conference and the discussion they engendered at the seminar ([Oslo Governance Centre](#)). Section 3 identifies the main bottlenecks for capacity development, and reviews strategies to overcome them. These emerged from group work the participants undertook during the seminar. Section 4 indicates priority areas identified by participants for future focusing of capacity development efforts. Finally, section 5 offers concluding remarks.

2 Capacity, governance and aid

The seminar presentations and discussions explored various dimensions of capacity, governance and aid and highlighted the interconnection between them. The participants were challenged on two basic notions as a premise for the discussion. Firstly, that we understand ‘capacity’ as a dynamic concept, referring to “the ability of people, institutions and societies to perform functions, solve problems, and set and achieve objectives”.¹ Capacity cannot merely be built by adding components of hardware, people or knowledge. Secondly, that capacity in this sense is latent in people, institutions and societies, and hence can be unleashed if the proper incentives are found.

Capacity

The discussions placed emphasis on three essential characteristics of capacity development: a) that local capacities always exist, however weakened they may be even in situations of conflict, and that these should be the starting point for capacity development work; b) that unleashing capacities go hand in hand with political leadership that is empowering and provides space to both the state and non state actors and c) that both governments and external partners need to recognize capacity development as both a process and goal of development.

¹ Lopes, Carlos and Thomas Theisohn *Ownership, Leadership and Transformation. Can We Do Better for Capacity Development?*. UNDP/Earthscan, New York, 2003, p.1

The Millennium Project Report argues that through attainment of the MDG "...poor countries can establish an adequate base of infrastructure and human capital that will enable them to escape from the poverty trap" ([Millennium Project Report](#)). Thus, working towards the MDGs will greatly expand the capacities of developing countries. This is seen as a medium- and long-term goal of development.

Governance

It is widely recognised that weak institutions and ineffective governance explain much of the lack of social and economic progress in many regions of the world. The Keynote speaker, the Hon. Mr. Hage Geingob, referred to the issues of effective leadership, accountability and transparency as central to this challenge.

Gaute Torsvik, in his seminar presentation, suggested that bad governance could either be explained by lack of power or by lack of will. Political authorities wishing to build institutions conducive to poverty reduction but not having either the necessary information or resources to do so can be attributed to lack of power. On the other hand, if bad institutions are kept in place, for instance to benefit the ruling elite, this would be an example of lack of will for change and for instituting the reforms required for progress. Participants also emphasised three other areas essential for good governance: an effective civil service, public access to information and people's ability to use and monitor this information.

Aid

Dr Torsvik also argued that two main options are available to donors. The first is to fund only countries with good governance. This is the strategy adopted by the United States' Millennium Challenge Account. The second option is that aid goes to countries with ineffective governance, under the assumption that the malfunctioning institutions are a result of lack of power. Foreign assistance can in these circumstances provide the resources to bring about much-needed reform. The seminar discussed tied and untied aid, related to poverty reduction and governance conditions. Linking aid effectiveness to governance conditions had its proponents who argued that foreign aid works best in countries with efficient institutions and good governance. Others claimed that this led donors away from difficult areas, and that poorly governed countries need relatively more support.

Looking at current and past practice, there is overwhelming evidence that aid conditionality has not worked. One explanation for this is that the aid has been conditioned on the wrong indicators. It was suggested that instead of rewarding reform *plans*, donors should instead reward (successful) reform *outcomes*. It was claimed that this had not yet been applied because of disbursement pressure at the donors end, and because both donors and recipients resist such a performance-based approach to aid. Many participants called for a reduced use of conditionality, and warned that while there is a trend in this direction, donors may be reclaiming ownership of the development process through the back door, through elaborate accounting and reporting requirements.

However, the importance of local commitment and leadership for the attainment of the MDGs underscores the need for sensitivity to the political aspects of capacity development in addition to the technical ones. Participants expressed concern about the impact of a massive increase in donor assistance leading up to 2015, overwhelming national absorptive capacities and ownership. The case study of the Primary Education Development Programme (PEDP) in Tanzania demonstrated how "political interests are crystallised" through the introduction of large and well-funded donor

initiatives. Bertil Tungodden showed how the relatively simple plan of distributing US\$10 per student to all primary schools proved difficult to implement. According to the plan, one ministry was to make disbursements directly to each local council's department of education. However, the actual flow of funds involved three ministries, sometimes acting through the Accountant General, in addition to both the regional and district authorities.

There was general agreement that if all developing countries are to reach the MDGs by 2015, the donor community as a whole needs to review the basis for increased investments in ODA, with priority given to deepening capacities of governing institutions. Foreign assistance is needed in both well governed countries and countries that currently lack institutions conducive to poverty reduction. It is therefore important to be aware of the implications of operating in these two settings. Reforms are also needed on the donor side of this equation, in how funds are allocated, managed, and monitored, and how longer-term results are defined and measured. This was emphasised by one participant who argued for a "critical review of the aid architecture".

In the coming scale-up of donor efforts it is imperative to address incentive issues, especially in countries with a poorly paid civil service and lack of monetary incentives for improved public sector performance. Capacity development in fragile and post-conflict states also needs special consideration. Bjørn Skogmo in his panel presentation, referred to donors not having a "good handle on" how to deal with such countries.

3 Capacity constraints and strategies to overcome bottlenecks

The seminar discussions and breakout groups highlighted four main areas as potential bottlenecks for development at the national level: Ineffective civil service; insufficient priority placed on post-primary education; weak and uncommitted national leadership; and lack of access to information. At the local level, inefficient decentralisation; weak cross-sectoral capacity in a range of areas and lack of financial services for the poor emerged as the three major issues. The breakout groups outlined how these areas may constitute barriers hindering development, and indicated strategies to overcome them.

3.1. Key capacity constraints at the national level

Ineffective Civil service

There was a wide consensus that an effective civil service is at the heart of ensuring necessary development services, but poor incentives for an appropriate level of performance together with corruption undermine the functioning of the civil service in many countries. HIV/AIDS is crippling the public service in many developing countries and will, if unchecked, substantially reduce these countries' long term prospects for development. The Hon. Mr. Geingob, in his keynote address, highlighted the impact of HIV/AIDS on public administration in Namibia by noting the dramatic decline in life expectancy in that country since the early 1990s.

It was suggested that achieving a professional civil service will require clearly defined mandates and responsibilities as well as reasonable pay at all levels. Monetary and non-monetary incentives were emphasized by many participants as an area for further research. It was noted that the right incentives for good performance and the right penalties for corruption need to go hand in hand, and need to be introduced in a coherent fashion. Several participants pointed to the importance of

reducing political intervention in the workings of the civil service, and creating a more professional civil service as a key goal of public administration reform.

Several participants underscored the need to experiment with creative service delivery methods, which involve the domestic private sector and civil society organizations, in partnership with the public service. Discussions highlighted that although private service delivery may be more efficient than government services, privately produced services are usually not affordable to the poor. This dilemma was well illustrated by Tran Tuan (RTCCD) in his case study presentation on health services in Vietnam. The introduction of private companies in the Vietnamese health sector increased the efficiency in service production. However, the case study also showed that 45% of the surveyed rural people relied on self-medication and 37% did not use health services at all. One participant pointed out that in countries where the state has explicitly subsidized private service delivery to make it more affordable to the poor this has worked well.

Post-primary education

Education is paramount for the progress of a nation, or, as one participant expressed it: "Without education everything [else] will fail". Universal primary education is integrated into the MDG framework. However, a number of participants warned that by focusing only on primary education, there was a risk of reducing the emphasis on and resources for post-primary education, research and science. There was general agreement that tertiary education and research capabilities are basic building blocks for sustained development. This is illustrated by the East Asian high growth economies. Participants called for a renewed emphasis on national tertiary education as an essential corner stone of long term capacity development in countries.

National leadership

Strong and committed national leadership was stressed repeatedly by seminar participants as pivotal for unleashing a country's capacities to eradicate poverty, measured through the MDGs. One participant claimed that no African politician has yet campaigned on the MDGs, although others challenged this assertion and cited recent developments where the MDG framework was being accepted into several planning forums in Africa. Another participant suggested that lack of express commitment to the MDGs was because these leaders know they will be unable to deliver on the Goals without external support, and that thus far it had not been forthcoming in the volumes required. It was noted that the political leadership needs to have a long term perspective, which can be better ensured by nesting short and medium term plans within a long term development strategy.

Access to Public Information

Access to, and use of, information was identified by several participants as a means not only to hold national and local government to account, but also to combat social and political exclusion. The importance of reliable information was well illustrated by the Tanzanian PEDP case study cited earlier. Although the aim of PEDP was to ensure that all primary schools received US\$10 per student, the surveyed headmasters' estimate of their entitlement through the programme ranged from US\$0.45 to US\$10. The seminar participants felt that without correct and reliable information on mandates and financial flows, civil society will be unable to hold government bodies to account.

Participants proposed a greater role for parliament in the debate, consultation and oversight of development policies. This should be accompanied with enhanced public access to information on how decisions are made, what decisions are made and how they will be monitored. A responsible

and independent press was seen by many participants as essential in ensuring such transparency. Recent research was cited showing that providing users with more and better information on both the financing and delivery of public services, is one of the more promising interventions to hold government to account and improve service delivery. Access to public information was also seen as a prerequisite in empowering poor and vulnerable groups to participate in key decision making and oversight functions. Participants also pointed to the importance of disaggregated monitoring of progress towards the MDGs within countries. Such detailed information would help identify regional and group-specific poverty, and thereby improve targeting of resources. Johan van Gronden, in his panel intervention, suggested that, in this respect, the MDGs offer a useful set of objectives for which people can hold their leaders accountable.

3.2. Key capacity constraints at the local level

Decentralisation

Several participants pointed out that decentralisation without properly preparing and resourcing for the responsibilities entailed may reduce the legitimacy of local government authorities. In particular, insufficient use of national and subnational structures and institutions could result in the creation of parallel structures and systems. The meeting also registered concern that the scale-up of donor activity towards 2015 could be accompanied by a centralisation of resources.

There was general agreement that continued effort in fiscal decentralisation with accompanied increased transparency about mandates, decision-making authority and resource flows is a must for local attainment of the MDGs. Such target setting, planning and implementation of MDG strategies, carried out through decentralised mandates, must also be backed by predictable and sufficient financial resources.

Cross-sectoral capacities

Many local governments in developing countries lack basic skills in planning, management, budgeting and accounting. Local governments also have limited incentives available to them to be able to attract and retain qualified staff. As Kanni Wignaraja noted in her presentation, it will be necessary to prioritize capacities that cut across sectors and functions. These are of two types; firstly, those related to processes of *effective development management* - the knowledge, skills and capabilities that help government officials prioritise, plan, manage and monitor ones own development in an effective and inclusive way, and, secondly, those that bring a more *integrated approach to the content of development*. These are the issues at the cross-roads of making tough development decisions, and often not defined by any single sector or entity – such as the societal capacities of nation building and civic engagement; the cross sector capacities to address HIV-AIDS, and environmental degradation to enable greater sustainability; and those individual capacities that speak to issues of gender and race equality. Without these there can be no MDGs or human development.

Developing countries and donors will be challenged in trying to nurture and grow these cross-sectoral capacities. They do not fit neatly into the way countries' governing structures are arranged, the way donor aid programmes are usually designed, or the way performance measurement is done. Nevertheless, they are essential for sustaining effective development planning, resource allocation and service delivery at local levels. Training and bottom-up planning approaches are two ways of ensuring that these capacities are retained and not eroded through an over emphasis on sectoral approaches.

Lack of financial services

Lack of access to relevant financial services to support poorer communities and the local private sector was also highlighted as a major bottleneck for capacity development. Without reliable sources of investment funds, local producers may be unable to break out of subsistence activities. One participant pointed out that even though local producers and entrepreneurs and local governments might have bank accounts, as was required by the Tanzania programme in the case study, the distance to the nearest bank can reduce their usefulness. Viable and safe saving institutions and investment instruments at the local level are critical.

4 Turning the corner: key areas for future focus

Participants identified the following specific areas related to capacity development that the development community will have to address if the MDGs are to be reached.

4.1. Incentives and their relation to better governance and management

While many other factors contribute, poor pay and lack of non monetary incentives is a critical component leading to poor performance. This translates into investing more in making civil service salaries more competitive, together with the performance and accountability standards that must go along with them. In response to this concern, some participants argued that donors should be prepared to finance recurrent costs, including salary support, although other participants noted the potential lack of sustainability of such an approach. In transition situations, whether in fragile states or in countries in economic transitions, Kanni Wignaraja in her presentation suggested that bridging resources and mechanisms may be required to provide such salary supplements and non monetary incentives. This should be done with coordinated donor support, using largely local expertise to the extent possible, and involve clear exit strategies that support long term public administration reform.

4.2. Investment in indigenous secondary and higher education as well as science and research institutions

In his Vietnam case study presentation, Tran Tuan (RTCCD) highlighted the importance of increasing the resources for local and independent policy research. Participants underscored this point, asserting that donor investment in local research institutions will contribute to reducing dependence on external consultants and increasing the plurality of independent voices in the developing countries. Equitable north-south cooperation was also highlighted by the seminar participants, and some suggested a compensation scheme for brain-drain. Others noted the possibility of imposing conditions on foreign scholarships to encourage students to return upon graduation.

4.3. Capacity development support in fragile states

Participants generally agreed that local capacities always exist. While they may be battered and bruised, a big part of the challenge is how to nurture and grow existing capacity, and not resort always to the easy way out of paying for external technicians and administrators to stay beyond their welcome. This is especially true for essential service delivery and public administration.

4.4. Support for developing the capacities of local business and local financial services

In so many countries it is the small businesses that provide the lifeline of basic livelihoods and services to poor communities. A question for the development community is how to ensure that national and local capacity investments address the need for these businesses to function in effective and equitable ways, and at the same time develop the capacity of local administrations and communities to enable and oversee them.

4.5. Support for tackling the difficult governance challenges, of corruption, racism, discrimination, gender bias and violence

Addressing these challenges is viewed as being as important to a human development agenda as addressing income inequality. They do not require vast investments of money, but they do require significant investments of local time and effort in supporting dialogue and community consultations, of strengthening conflict resolution mechanisms and of nurturing leadership. These are defining characteristics of a mature and sustained capacity development agenda in any country, and can be facilitated at the right times by development partners.

4.6. The need to improve and broaden the use of capacity needs assessments and scale up support to emerging south-south donor groups and alliances

Participants observed that a new wave of south-south alignments is emerging. Understanding and supporting the capacity needs of this new group of donors and players in international development and trade is a part of the new challenge. Bjørn Skogmo in his panel presentation cited recent Norwegian efforts to cooperate with Brazil in Portuguese speaking countries.

4.7. The need to revisit log-frames and results frameworks

The discussion focussed on the inherent tension between the political need, in donor countries in particular, to demonstrate the impact of donor supported interventions within the short-term, and the nature of capacity development, which is the result of a long term and complex process that does not lend itself easily to annual impact assessments.

5 Concluding Remarks

The seminar led to a better understanding amongst participants of what has changed in the development community's understanding of capacity development as it relates to the MDGs, and how the capacity development agenda has changed. This was informed by the panel members' overview of the evolution of technical assistance leading to current thinking on capacity development. The following points can be drawn from the deliberations:

- Capacity development gaps will need to be, and can be, much more rigorously defined than in the past, as they are now based on specific MDG needs and capacity assessments.
- As a result of the push to achieve the MDGs, there is now a greater focus on scaling up national capacity. The resources for investment in capacity development have also risen accordingly, with demand for more dedicated capacity development strategies that are locality, institution and sector specific.
- This in turn has led to an intensified focus on improving the information on which policy decisions are based, with a greater emphasis on raising statistical literacy and on generating disaggregated data and analysis, to focus on gaps and inequities.

- There is a renewed focus on investments in secondary and tertiary education as critical to long term capacity development, as well as on in-country science and research capacities.
- An increased priority is being given to social investments, including the social processes that go with them (i.e. an emphasis on developing long-term nation building and societal capacities such as sustained civic engagement rather than one-off requirements for civil society participation.)
- There is a greater focus on the qualities of effective leadership, and a greater interest in the long term locally driven development of the capacity of political leadership as an essential part of an MDG-led development process.
- There has been an unprecedented scaling up of south-south alliances and collaboration, and an investment in such partnerships, products and networks as essential to achieving the MDGs.

Finally, all this has led to more vigorous and harmonised discussion on untied aid for capacity development purposes. In addition, the following key institutional considerations for development partners to keep in mind emerged from the discussion:

- a) In order to tackle such a complex capacity development agenda, both governments and the donor community *have* to work with a mix of grant and non grant mechanisms. These could include grant technical assistance, global funds, direct budget support, carbon emission taxes, foreign direct investment, and so on. Just as there is no one size fits all on the policy front, there is rarely a one size fits all funding instrument that is right for all situations. It calls for being clear on what funding modality delivers best for what type of capacity need it is to address.
- b) There is ample room for reducing administration and reporting burdens, and to revising results reporting frameworks to include progress measures of capacity development and its long term nature.
- c) The sequencing of investments in capacity development is important, and linking it to the measurement impact of capacity development results is key to moving the agenda forward.
- d) There is a need for closer scrutiny of incentive effects of aid on recipient institutions, and concurrently donors need to seriously address problems emerging from disbursement pressure on their side.
- e) The “do no harm” principle – ensuring that development activities do not erode existing capacity but build on what’s there, and that they are designed with a long- term engagement in mind – needs to be a strong filter for both designing and evaluating capacity development work.

ANNEX ONE-List of Documents

Keynote speaker Dr. Hage Geingob, Member of Parliament and former Prime Minister of Namibia

[Opening Remarks](#)

Tanzania case study

“The problem of translating policy into effective delivery – experiences from a case study in Tanzania”

(i) [Abstract](#)

(ii) [Presentation](#)

by Dr. Bertil Tungodden, Chr. Michelsen Institute and Norwegian School of Economics and Business Administration, Bergen, Norway

Vietnam case study

“The need for health policy research capacity building”

(i) [Abstract and background information](#)

(ii) [Presentation](#)

by Dr. Tran Tuan, Director, Research and Training Center for Community Development (RTCCD)

Aid, incentives and institutions

(i) [Abstract](#)

(ii) [Paper](#)

by Dr. Gaute Torsvik, University of Bergen and Chr. Michelsen Institute

A Review of NHDRs on MDGs

[Paper](#)

by Dr. Selim Jahan, Senior Adviser, Employment for Poverty Reduction, Poverty Group, Bureau for Development Policy, UNDP

A Capacity Development Framework to Deliver on the MDGs

[UNDP Briefing Note](#)

OECD DAC Network on Governance

Living up the Capacity Development Challenge: Lessons and Good Practice

[Paper](#)