

GTZ's Understanding of Capacity Development

A Guiding Framework for Corporate Action

1. Introduction

Anyone talking or writing about capacity development (CD) today is guaranteed an audience. Ever since a close link was established between capacity development and aid effectiveness in the Paris Declaration in 2005, the development cooperation agenda has become unthinkable without capacity development. This new popularity is further boosted by the increased awareness among donors and partners that more money, closer harmonisation and a stronger utilisation of partner systems do not automatically lead to more development; developmental progress also depends on how successfully the performance capability of legal and institutional systems can be strengthened, and negotiation processes on the partner side improved. BMZ too has underlined the strong relevance of capacity development within the scope of German development cooperation.

Anyone talking or writing about capacity development today faces a daunting challenge. Many development cooperation experts describe capacity development as old wine in new bottles, or as a nebulous concept that is of little relevance in practical development cooperation. Some also point to the poor results of evaluations following decades of Technical Assistance; the effectiveness of capacity development, it is claimed, is correspondingly low. It is even claimed that the DAC has yet to demonstrate the relevance of its Good Practice Paper¹ to practical development work.

So is capacity development therefore a theoretical concept of no practical relevance? **We are convinced of the contrary and certain that it will be a key future theme for development cooperation.** This is why GTZ chose capacity development as its spotlight of the year 2007, even though it is well aware of the challenges involved in communicating this theme.

The present paper is designed as a guiding framework for GTZ staff members. It sets out to

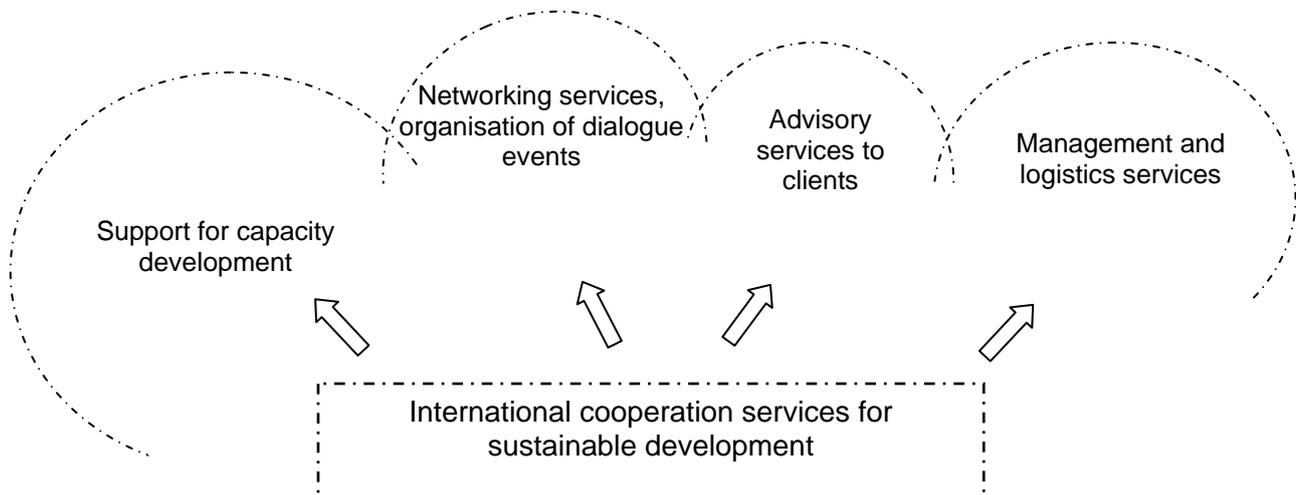
- highlight the importance of capacity development to GTZ (Section 2),
- clarify GTZ's understanding of capacity and capacity development (Section 3),
- identify GTZ's key strengths in supporting capacity development (Section 4), and
- identify those thematic areas where there is a special need to act in the context of GTZ's spotlight of the year 2007 (Section 5).

2. The Importance of Capacity Development to GTZ

¹ OECD-DAC: "The Challenge of Capacity Development: Working Towards Good Practice", OECD 2006. The basic understanding and definition of capacity development underlying the present paper are closely based on this DAC Good Practice Paper.

How important is capacity development to GTZ?

GTZ is a federal enterprise mandated to implement the German Government's development policy. Its core competence is the delivery of international cooperation services for sustainable development. GTZ classifies its various services either as types of product, in which case they are defined by content, or as services to a particular client. They can, however, also be defined as **types of service**:



As shown in the overview above, GTZ basically delivers four different types of service:

- Support for capacity development: Here, the focus is always on enabling partners, organisations and systems. The overwhelming majority of services delivered by consulting or engineering firms within the scope of GTZ International Services also fall into this category.
- Networking services and the organisation of dialogue events: This involves the networking of various partners, often also within Germany and outside the scope of the development cooperation community in the strict sense, e.g. through the services of AgenZ. In partner countries, this type of service usually also supports capacity development, but tends to be of a more short-term nature.
- Advisory services to clients: This includes BMZ sector projects, among others.
- Management and logistics services: This type of service does not primarily focus on enabling the partner, but involves the direct implementation of a task by GTZ, e.g. in the field of emergency assistance or in twinning projects.

Not all contracts can be clearly assigned to one or other of these categories. In many contracts, more than one type of service is delivered.

From this overview, we can draw the following conclusions concerning the importance of capacity development within the range of GTZ services:

- The four types of service are based on GTZ's core competence: "international cooperation for sustainable development". The orientation toward sustainable development is equally relevant to all types of service.

- Not everything that GTZ does is capacity development. Capacity development is *one* of the company's four types of service, though one which enjoys special emphasis.

3. GTZ's Understanding of Capacity and Capacity Development

GTZ's understanding of capacity, capacity development and the promotion thereof is based on the current definitions of the OECD-DAC²:

Capacity is the ability of people, organisations and societies to manage their own sustainable development processes. This involves identifying development problems, designing solutions and successfully implementing these. At GTZ we often characterise this as the *ability for proactive management*, which we understand as the capability of stakeholders to effectively combine and coordinate political will, interests, knowledge, values and financial resources in order to achieve their own development goals and satisfy their own development needs. The term *ability for proactive management* underlines the fact that it is not sufficient for these capacities simply to be present (and remain unutilised); they must also be manifested in the proactive management of development and change processes.

Capacity development is a holistic process through which people, organisations and societies mobilise, maintain, adapt and expand their ability to manage their own sustainable development.

The **promotion of capacity development by external partners** is a key instrument used by development cooperation to enable people, organisations and societies to develop and expand their *ability for proactive management*. Capacity development is essentially a process that must be stakeholder-driven and stakeholder-owned, i.e. the stakeholders must strongly identify with and be strongly committed to the desired change. However, it is possible that this ownership might not arise until the reform process is under way; external partners can support and facilitate the emergence of ownership, and assume *temporary* co-responsibility while these processes are still ongoing.

Capacity does not exist as an abstract or general quantity. It exists only in relation to concrete problems, challenges and needs. Certain types of problem can be solved more easily and more rapidly than others; more problematic are those of a long-term nature whose effects will only be felt in the future and whose causes are complex. Climate change, for instance, calls for complex responses from the local right up to the global level. Processes of transition to democracy and a market economy, such as those in Eastern Europe or South Africa, set complex change processes in motion. In fragile states, the challenge is to promote and restore ownership and statehood in a difficult environment.

Capacity development is by no means a straightforward process. It is characterised by progress and success stories, but also by setbacks, conflicts and obstacles. Change processes of this kind will only be successful if they are systemic; only in exceptional cases

² The definitions used by the DAC (OECD Good Practice Paper, p. 12) are as follows:

- "Capacity" is understood as the ability of people, organisations and society as a whole to manage their affairs successfully.
- "Capacity development" is understood as 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 to support, facilitate or catalyse capacity development and related change processes.

will one-off interventions at the level of individuals or organisations be likely to achieve sustainable results.

4. GTZ's Approach to Capacity Development Support

With the exception of the relatively general OECD-DAC definition, an internationally accepted understanding of which instruments might be especially appropriate for promoting capacity development has yet to emerge. International financing institutions, development banks, the development organisations of the UN system and many bilateral donors have taken up the cause of capacity development. Even budget support is occasionally seen as falling into the category of capacity development. In recent years, basket funding and TA pooling have also been identified as appropriate approaches to capacity development. The present paper does *not* address the effectiveness of the various modes of delivery for capacity development, as this would go beyond its scope. It rather explains below the GTZ approach to CD support.

GTZ's specific approach to CD support is rooted in our concept of sustainable development. Development is understood as a permanent process of searching, negotiating and learning that involves all stakeholders, and this cannot be planned in detail in advance. GTZ's modus operandi reflects this basic understanding of development; the principles underlying its work result in an **approach that is holistic, process-based and value-based.** This approach cannot be implemented through financial transfers, but rather presupposes mutual accountability between the respective partner and GTZ. The joint searching and learning processes associated with this make the long-term assignment of (national and international) advisors and integrated experts a constituent component of this approach.

In addition to the three aforementioned basic principles, GTZ's tried and tested approach to CD support also has the following comparative advantages:

- **Facilitation of negotiation processes:** Development consists of permanent processes of negotiation between all stakeholders. GTZ possesses special experience here, e.g. in mediating and facilitating communication between government and civil society or between other interest groups. Also key is the creation of corresponding participatory mechanisms and the development of the partner's negotiating capacities, above all for national and international policy dialogue and for the negotiation processes between donors and partners.
- **Initiation and joint steering of learning processes:** GTZ understands capacity development as a complex learning process. The initiation and mutual steering of these learning processes is one of GTZ's particular strengths.
- **Detailed knowledge of partner organisations:** The tendency of many donors to restrict themselves to financial transfers and withdraw from direct contributions has turned many partner institutions into an unknown quantity for donors. By contrast, thanks to its direct engagement GTZ has earned a position of trust with numerous partners, enabling it to help facilitate change from within. GTZ is for example often one of the very few development cooperation organisations capable of judging how internal and external incentives influence the work of institutions, and whether steering inputs e.g. induced by the donor community will generate positive changes.
- **Long-term commitment:** The long-term nature of the commitment made by German TC is an important comparative advantage over other development cooperation

organisations. In developed countries too, difficult transition processes take many years. Planning horizons of two to at most three years, which for many development cooperation organisations are normal, fail to do justice to the complexity of these change processes.

- **Multi-level approach:** The fact that GTZ operates simultaneously at the macro, meso and micro levels also contributes to its extraordinarily detailed understanding of partner structures, which enables it to offer flexible, rapid and locally appropriate interventions.
- **Identification of systemic options:** Many advanced partner countries are often no longer looking to transfer a *single* model, but rather wish to obtain a range of different systemic options from which an optimal approach to reform can then be developed and which is appropriate to local conditions. GTZ's particular strength in this connection is the ability to apply various systemic approaches in the respective sectoral and regional context, based on its own sectoral, process and regional expertise.
- **Mediation of partner and donor logic:** CD support often suffers from the fact that partners and donors operate on the basis of different logics. Many donors consider an approach to be especially ownership-oriented when partner and donor define a development goal at the beginning of a reform process and set the corresponding conditionalities; the partner subsequently receives financial transfers for implementation, which it then organises largely self-reliantly. When this implementation takes place, however, partners base their actions on a logic determined primarily by domestic political expediency or culture-specific factors, which can often lead to different results from those originally laid down. Thanks to its close relationship with both partners and the donor community, GTZ is increasingly being mandated to help reconcile partner and donor logic through a permanent process of negotiation, to promote mutual understanding and thus improve the coherence of the two logics. Numerous examples could be given to illustrate how GTZ has utilised its special understanding of local situations to successfully mediate between partners and other donors.

On the basis of the approach described, GTZ has won numerous plaudits for the **effectiveness** of its activities in promoting capacity development. The DAC Peer Review of German development cooperation in 2005 for instance judged the results of German TC highly positively, and called upon German development cooperation to play an international lead role in capacity development support. In other theme-specific peer reviews too, GTZ has consistently been near the top in the rankings. The fact that GTZ is increasingly being contracted by bilateral donors, international organisations and recipient countries also attests to the high regard in which its approach to capacity development and the effectiveness of that approach are held.

5. Implementing Capacity Development through GTZ Services: Open Questions and a Framework for Corporate Action

The international debate concerning the future of development cooperation also requires **GTZ to continuously review and adjust its approaches and instruments**. In the following

areas, GTZ should sharpen the focus of its conceptual approaches and bring its implementation experience to bear as it participates intensively in the international debate:

- **Development of CD strategies at the country and sector levels**

The Paris Declaration calls for the development of CD strategies at the country and sector levels. In many countries, initial outlines of these strategies have been prepared with GTZ support. What is now required is constructive criticism and evaluation of these strategies, and recommendations for their further elaboration.

- **Further development of appropriate methods for capacity needs assessment**

Many donors are currently experimenting with various instruments for capacity needs assessment. GTZ possesses corresponding experience in the energy sector. This experience should be reviewed and further developed with a view to applying it in other sectors.

- **Modes of delivery for capacity development**

Various donors and development cooperation organisations employ different modes of delivery for capacity development. GTZ needs to explain more clearly in the international debate why direct contributions are particularly effective. This includes issues such as the role and significance of seconded long-term experts and integrated experts, or ownership in approaches that involve direct contributions. It will also be necessary to discuss different forms of financing for capacity development, such as basket funding, the possibility of credit-based financing, scope of partner inputs etc.

- **CD against the background of the scaling-up of ODA**

The donor community has committed itself to a significant **scaling-up of ODA** over the next few years. It is planned that the additional resources will flow into those development cooperation instruments that promise highly effective, as well as rapid, aid delivery. Alongside the commitment to scaling-up, the creation of programme-based approaches and the stronger donor focus on a smaller number of countries and sectors will lead to a trend toward very much larger volumes per programme and per approach. This will generate a twofold pressure on CD approaches: On the one hand, CD approaches, as complementary measures to large-scale budget support, will need to demonstrate that they are capable of significantly increasing partner countries' absorption capacity; otherwise, gigantic pipelines will be formed. On the other hand, we expect that larger volumes of funding will also be available for those CD approaches that are not designed primarily as complementary measures to budget support and other large-scale financing projects. It will be necessary to use these funds not only effectively, but also rapidly. More than ever before this will mean that GTZ needs to think on a larger scale and plan its approaches to achieve a broader sector- and country-wide impact.

- **Introduction of *Capacity WORKS***

One important GTZ management tool for implementing capacity development is **Capacity WORKS**. Since GTZ understands development in principle as an open process that cannot be defined with reference to a specific, predetermined end point, the professional steering and management of its advisory and service delivery processes is especially important. Through Capacity WORKS, GTZ ensures that capacity

development is supported in all its projects, and that the "GTZ way of doing things" is followed throughout the entire process.

- **Monitoring and evaluating CD measures**

It is particularly important to **demonstrate the results of capacity development**, especially since the international debate continues to reflect doubt as to the effectiveness of this instrument. **Monitoring and evaluating CD measures** is therefore a high priority for GTZ. Project and programme monitoring systems must do more to measure changes in the *ability for proactive management*, as well as in the enabling frameworks; corresponding indicators must be included in the project offers and in the operational plans. Operationalised objectives are also prerequisite to measuring the results of capacity development; more should be done to evaluate these, possible jointly with other development cooperation organisations and donors.

- **Capacity development in different types of country**

Capacity development assumes different forms, depending on whether it is taking place in anchor countries, more advanced countries, fragile states or heavily ODA-dependent partner countries. We need to further refine and specify GTZ's respective approaches in the various country categories.

The aforementioned thematic areas should continue to be explored, also during implementation of the annual objectives for 2007, and the results should be fed into the national and international debate.

Andreas Proksch
Director of Unit 04