



# DEVELOPMENT COOPERATION FORUM

## Informal Summary of Roundtable 4

### *Are country-level capacities ready for more aid?*

1 July 2008

- Chair:* Andrei Dapkiunas, Vice-President of ECOSOC
- Moderator:* Kemal Derviş, Administrator, UNDP
- Panelists:* Gérard Niyibigira, President, Economic and Social Council of Burundi;  
John Rwangombwa, Secretary-General and Secretary to the Treasury, Ministry of Finance and Economic Planning, Rwanda; and  
Ingrid Hoven, Director-General, Ministry for Economic Cooperation and Development, Germany.

#### **Introduction**

The capacities of programme countries to coordinate and manage aid are growing, with improvements in public financial management, procurement and recording. However, gaps remain in terms of analytical, policy, strategic and evaluation capacities, with these also receiving the least support. The capacity to negotiate alignment of development cooperation remains one of the least developed areas.

Most capacity-building has focused on core ministries, with insufficient support to sector ministries, parliamentary committees, decentralized entities, auditors and civil society. Under the constraint of limited capacities these organizations tend to assess aid delivery and development strategies based largely on issues other than effectiveness and results. Similarly, problems in coordinating and managing aid, such as disbursement delays, are sometimes attributed to limited 'absorptive capacities', yet detailed donor practices and procedures are not without fault in this regard.

The discussion was guided by the following questions:

- Are concerns about '*absorptive capacities*' justified with regard to the capacities for coordinating and managing of development aid by programme countries?
- How should donors engage with programme countries when *procurement and public financial management systems* are in their infancy or do not exist? Should donors completely abandon the use of parallel implementation units and wait for adequate systems to be developed?
- What are the experiences of *extending capacity-building* for assessing development effectiveness beyond core ministries to sector ministries, parliamentary committees, decentralized entities, etc.?

- How to provide programme countries with the information to *negotiate alignment* of programmes and projects with national priorities, based on knowledge of global best practices by donors?
- What are the experiences of conducting *nationally-led or joint assessments* of national systems managing aid by donors, programme countries and civil society?

### **Capacity-building in post-conflict countries**

Noting Burundi's post-conflict situation, **Gérard Niyibigira** emphasized the urgent need for capacity building in a post-conflict context. Neglecting improvements in areas such as research, internal infrastructure and aid procurement often lead to further erosion of the ability of conflict countries to absorb aid. Stakeholders are not able to seek aid effectively; much less harness what is given. When projects are executed, changing conditions often mean that project outcomes do not match initial expectations.

In the case of Burundi, the administration lacks capacities in setting priorities, planning and negotiating for external resources. Moreover, the country suffers from a severe shortage of private investment due to instability. In such a context, Mr. Niyibigira urged donors to go beyond their differences to focus on peace building in order to assist in bringing in more private investment to create employment and build capacities.

### **Perceptions of wanting capacities not always warranted**

**John Rwangombwa** emphasized three types of inter-linked capacities: institutional and human; economic; and non-governmental. He pointed out that discussions about capacity often focused on the ability of the government and economy to absorb aid, affording less attention to capacities of non-governmental organizations. Similarly, donor capacity and the willingness to align aid with country programmes and to use country systems were also often absent from discussions on effective development cooperation. Yet these issues have to be factored in, particularly if effective capacities were to be built from the donor side.

In the case of Rwanda, the PRSP process and a strong system in support of the process has helped build government capacities. Despite this progress, donors often ignore national systems, leaving little space for the capacities of the government to grow. Furthermore, fragmented and lengthy procedures of donors lead to difficulties in aid management, which in turn create perceptions of incapacitated programme countries. Even though some donor concerns in terms of weak capacities are justified, they should not constitute an excuse for avoiding scaling-up aid and using national systems.

### **Weak correlation between strength and use of national systems**

Echoing Mr. Rwangombwa, **Ingrid Hoven** noted that even though many programme countries had made impressive advances in reforming public financial management and procurement systems, donors were not sufficiently channeling aid through local systems. She highlighted that the decision of donors to use national systems is often not based on an evaluation of the strength of those systems. External partners should do better to

increase the leverage of country capacity. To that end, programmes would have to be better coordinated and demand-driven.

With regard to capacity building, Ms. Hoven proposed that capacity building should become an integral part of PRSPs. The first step would be to design policies with realistic objectives based on capacity assessments. In addition to core ministries, enhancing public sector management should include parliaments, civil society and the media since these stakeholders are in the position to assess the quality of service provided and exert pressure to improve government capacities. In reference to aid delivery, she added that for aid to be effective traditional models of delivery do not suffice.

### **Combating the knowledge gap**

During the ensuing discussion, participants stressed that donor reform was just as critical as programme country capacity-building. If development cooperation is truly a partnership, donors should support conflict and post-conflict countries with capacity building rather than adding extra conditionalities. The ability of developing countries to absorb more aid should not be seen solely as a question of national capacities, but also as an issue of the willingness of donors to align assistance with national priorities. In this connection, aid will be effectively absorbed only if it is untied and predictable.

The knowledge gap between donors and in-country actors familiar with the situation on the ground was considered an important reason for the failure of matching aid requirements of programme countries. The frequent change of donor personnel also disrupts stable aid management. To avoid this, a system ensuring the consistent flow of knowledge among stakeholders should be institutionalized. In particular, stakeholders should be given access to aid documentation in order to monitor government performance. A first step would be to identify what information should be made available.

### **Aid modalities, conditionality and predictability**

Before inviting the panelists to respond, the Moderator drew delegates' attention to fruitful discussions that often take place at the country-level with the arrival of international institutions, while also noting that subsequent analysis was regularly done by international staff. Evidently, capacity building in programme countries would benefit if analysis were increasingly conducted by national experts.

In responding to comments from the floor, **Gérard Niyibigira** volunteered that unstable government administrations were at peril from being shunned entirely from dialogue with the donor community. Noting his own experience with the World Bank, he mentioned that enhancing domestic capacities in the end depends on the will of donors. Mr. Niyibigira concluded by saying that the ability of governments to develop a consolidated budget will determine the effectiveness of Sector-Wide Approaches (SWAPs)

**Ingrid Hoven** added that the effectiveness of SWAPs to a large degree depended on the given context. She furthermore noted that conditionalities have not been successful in the past, yet provisions to measure project performance and achieved results have to be

provided for in a contractual relationship in order to create sustainable partnerships and provide evidence to taxpayers in donor countries that aid was used in a responsible and reliable manner. Finally, she argued that donor fragmentation should be addressed by sharing best practices from the country level rather than reshuffling the current aid architecture.

**John Rwangombwa** emphasized that the predictability of aid has a strong impact on capacity building, in particular since unclear expectations from donors impede the improvement of national planning capacities. He supported the use of SWAPs as tool to improve these capacities, but the actual implementation is still providing challenges as large amounts of aid circumvent national systems and remain untracked. In conclusion, Mr. Rwangombwa noted that peer learning should take place not only among programme countries, but also among donors.