A Capacity Development Market?

Over the last 20 years, many countries receiving external support show a rapid growth in expertise for 'doing development'. For capacity development, this trend is reflected in the rise of home-grown specialized organizations and support structures. Unfortunately, there has been little analysis or discussion of how this 'service environment' for CD is evolving, or how it may be strategically supported.

   This chapter shares the results of an initial effort to analyse the service environment for capacity development, including a sample of very different countries. It shows a pattern of strong centralization, patchy outreach to sub-national actors and little 'demand power'. In other words, capacity development outside national capitals and large urban locations is not well served by the present financing dynamics and provider community. A set of changes in financing logics and assistance strategies are proposed to better support the development of service environments for capacity development. In this way, Southern expertise can become more effective and better able to take the lead in developing the capacity of its own societies.

Stimulating the Provision of Local Capacity Development Support

Jan Ubels

Introduction

All societies need knowledge and expertise to solve their problems and achieve equitable and sustainable development. In so-called 'developed societies', private as well as public and social sector organizations also need and hire assistance in order to address emerging challenges, or simply to perform better. In most cases, they have at their disposal a wide selection of consultants, knowledge institutes and support structures that they can draw on for both their general as well as specialized capacity needs. Of course, in a globalizing economy, developing countries can

also draw on international contacts and import necessary know-how and assistance. But for a society to steer and develop itself, it requires its own critical mass of capable human capital and organizations that understand their own context intimately and are able to bring about change and innovation to create unique solutions that draw on local knowledge.

Therefore, the critical site for increasing professional capabilities to support capacity development must be within developing countries themselves, reducing the dependency on external expertise. Drawing on a recent study, this chapter explores how this type of process could be accelerated.

In many developing countries a 'service sector' providing the necessary support to developing 'home-grown' capacity is emerging. Typically, this sector consists of (semi-) public entities such as training and research institutes, leading nongovernmental organizations (NGOs), consultancy firms and independent consultants. This chapter refers to them as local capacity developers (LCDs).

However, little is known or documented about the quantity or quality of local capacity developers in the South. As a modest start to remedy this knowledge gap, supported by the UK Overseas Development Institute (ODI), SNV Netherlands Development Organisation undertook a general reconnaissance and country scoping studies to map this 'service environment'. The overall study sought answers to three broad questions: What is the current demand–supply dynamic? What is problematic in this equation? And how can this information inform strategies for funding and supporting capacity development in other ways? Although only an initial exploration, this chapter presents and discusses the preliminary findings of the study as a basis for thinking about ways to increase the number and competencies of local capacity developers.

Addressing the questions posed by the study requires starting with a consideration of what LCDs look like and how they are viewed. This is the focus of the first section of this chapter. An appreciation is also needed of the environments in which LCDs operate, the subject of section two. Against this background, section three presents major findings. And this leads, in section four, to a discussion of possible ways forward, particularly in terms of alternative financing arrangements and overall support strategies.

What are local capacity developers and what are their distinctive advantages?

A clear definition of what a local capacity developer is does not exist. In this text LCDs are taken to be 'organizations supporting capacity development that originate from and belong financially and socio-culturally to the country or region in which they deliver their services'. Local capacity developers can operate at local, sub-national, national or even regional levels. They offer a variety of services and employ different working methods and techniques such as training, facilitation and coaching, organizational development advice, technical assistance and knowledge networking. Often, these techniques are combined with knowledge of, or expertise relating to, a particular sector such as infrastructure, health or agriculture. For some LCDs capacity development is their core business, for others it forms just

a segment of their work. For example a university or research centre can provide paid or subsidized capacity development services next to its core research and educational programmes. There are consulting firms that have capacity development work as a core activity. Other firms may offer this type of service next to or as part of a main business in, for example, technical construction work in the water sector or accountancy. Similarly, within the NGO community there are specialists in capacity development and organizations that intertwine it very effectively with, for example, a core mandate for advocacy around a certain theme. Some LCDs are formally affiliated with an international consulting firm or an international NGO (INGO). And others are just individuals working on their own, who may pool their skills with those of colleagues or partners to create mutually supportive networks or associations.

The outcomes of several recent international policy processes, such as the Accra Agenda for Action in 2008, have merely reaffirmed what has been a long-standing discussion on the need to make better use of and stimulate development of Southern expertise for capacity development (see Box 23.1).

Box 23.1 How do donors and national government view local capacity developers?

The practice of employing local consultants goes back to an era when technical assistance was first provided to developing countries. Growing privatization in the 1980s and early 1990s stimulated major increases in national technical or 'hard' expertise. However, though uneven across the South, the 'soft' expertise – of institutional and organizational development, strategy work, policy advice, coaching, training, learning, and so on – typically lagged behind. For international development agencies, however, there were and are clear advantages of deploying local capacity developers, who:

- understand the local context and cultural sensitivities;
- speak the local languages;
- know the professional, formal and informal networks;
- enjoy legitimacy and recognition among peers;
- have institutional knowledge of national institutions;
- are familiar with the work environment and able to command lower costs;
- tend to have a better rapport with national decision-makers who prefer to see their compatriots employed in-country rather than losing people to better-paid jobs abroad.

However, there are also risks associated with increasing the involvement of local professional resources in capacity development initiatives. For example, care must be taken to ensure employing LCDs and similar technical service providers does not lead to an extraction of valuable resources, expertise and capacity from government organizations and other national institutions.

The Berg Report (UNDP, 1993), for instance, criticized technical assistance (TA) for being primarily donor-driven and based on interventions that were led by outside expertise. It noted that this contributed to limited sustainability because results were not sufficiently embedded in local capacities. At the time, the Berg Report received serious attention. But subsequently, progress has been quite modest. Much has been written about reforming TA, in which the rationale for capacity development in, by and for the South has been well explored. But there has been minimal debate on how local capabilities in capacity development can best be stimulated and developed.

The development of LCDs is also important in view of recent policy discussions on international development cooperation and capacity development, which include the Paris Declaration on aid effectiveness in 2005 and the follow-up Accra Agenda for Action in 2008. Signatories to the Third High Level Forum in Accra underlined the centrality of capacity development to sustainable development and committed themselves to 'the provision of technical cooperation by local and regional resources, including through South–South cooperation'.

Understanding CD 'service environments'

To increase understanding of the condition and status of local capacity developers, the SNV/ODI study examined their situation in five countries: Cameroon, Montenegro, Peru, Tanzania and Vietnam. A parallel analysis of a large number of existing support mechanisms for (local) capacity development was also undertaken (Tembo, 2008). Country reconnaissance basically involved a week of interviews and visits with a round-table meeting at the end. This was fed by specific inventories as well as broader intelligence on the basis of SNV's on-the-ground presence in the environments concerned. The teams involved looked at what gradually came to be referred to as the local capacity development 'service environment' and examined the nature and role of organizations providing capacity development support, the financing patterns, the working methods and types of support provided, and how the demand–supply–financing interactions steered the work. In line with SNV's focus on working with sub-national (meso-level) actors, special attention was given to the degree to which capacity development needs in provinces, districts and communities are served by the emerging support industry.

Combining 'market' and 'non-market' views

In general there is a separation between the ways that commercial (private sector) and non-commercial (NGO) actors talk about and operate in this service environment. In this study, however, a deliberate effort was made to combine these two perspectives.

Box 23.2 presents a rather 'stereotypical' view of both perspectives to help us appreciate that using both 'market development' and 'subsidized development' language offers a more comprehensive understanding of the service environment as a whole. In contexts where subsidized development language has been dominant, employing market terms and perspectives may provide new insights. A value

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Box 23.2 Typical 'market' and 'non-market' terminology and perceptions of capacity development service environments

'Subsidized development' logics and language help to think in terms of:

- grants for CD projects;
- development objectives and results;
- less advantaged groups and their rights;
- collaboration between actors;
- participatory and empowering methods;
- governance, politics and institutions.

'Market development' terminology and logics helps to think in terms of:

- fees for CD services;
- consumers making choices;
- demand-orientation;
- competition;
- products and market dynamics;
- rate of return on investments.

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chain analysis, for example, can reveal perspectives in demand, forces of competition, weak links in the chain, and so on. The converse is also true. Where market language is all-pervasive, using the development language and questions may help to discuss social and poverty dimensions that would otherwise not be touched.

Variations between countries

The broader context in each of the five countries surveyed differs significantly in terms of their mix of wealth and poverty and related scores on development indices; the nature of their economies; their political systems; the relations between civil society, the private sector and the government; the character and speed of decentralization processes; as well as their natural environments.

In Peru a relatively strong consultancy industry operates with several thousand professionals serving mainly the private sector and national (semi-)public agencies. A community of development-related NGOs also exists. In recent years both have crossed over into each other's terrain, with NGOs doing more 'fee-for-service' work and consultants bidding for development programmes.

There are indications that the number of LCDs operating as private businesses correlates with the size of the commercial sector in an economy. Thus the commercial capacity of the development sector is relatively strong in Cameroon, with its forestry and oil, and is developing quickly in the booming economy of Vietnam. The NGO sector is weak in Vietnam, however, due to its socialist history, but is

relatively strong in Cameroon and Tanzania. Semi-public training and research institutes play a strong role in capacity development in Vietnam and have some prominence in Tanzania and Cameroon, but play only a minor role in liberalized Peru. With donor emphasis on 'national implementation' modalities over the last years, international consultancy firms have also started to focus on capacity development through their local offices and affiliates. But what do these various types of LCDs do?

Capacity development support – what methods are used?

From the country reconnaissance and general studies it became clear that the capacity development repertoire has clearly widened over recent years. A range of conventional and more advanced intervention approaches or methods are applied, as shown in Box 23.3.

In practice, at the sub-national level, training and workshops (often one-off) are the dominant support modalities. This preference is followed by, and sometimes combined with, technical advice and assistance in project-management. In the NGO realm, lobbying and advocacy support is also a conventional capacity development method and purpose. The other eight forms of assistance, generally focusing on supporting change in more comprehensive or deeper ways and possibly over longer periods of time, are quite rare.

One also has to recognize that the organizations providing capacity development support, whether commercial or not-for-profit, have very different roles and underlying motivations. Some do indeed operate as service providers, on a fee-for-

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Box 23.3 Types of capacity development services

Conventional

- Training and related workshop forms
- Technical advice (often focused on specific systems and/or procedures)
- Support to project management
- Support to lobby and advocacy

More advanced

- Action research and action learning, including pilots and 'laboratories'
- Knowledge brokering and networking
- Various kinds of multi-stakeholder processes
- Stimulating mutual and public accountability mechanisms
- Coaching and mentoring
- Change and process facilitation
- Leadership development
- Value chain development

services basis, of one kind or the other. Others implement large programmes that allow and require them to actively support capacity development. Other LCDs may have a knowledge or advocacy role in a certain area that engages them in capacity development. Yet others are membership-based organizations that carry out capacity development support to their constituency (farmers' unions, women's organizations, chambers of commerce, etc). And there are units within government departments and research or education institutions that have formal capacity development mandates, or engage in fee-for-services work. These differences influence such organizations' assistance repertoire (see Box 23.3) and also the nature and quality of the relations that they have with clients, partners or beneficiaries. Nevertheless, the survey did not establish a strict correlation between the variety of methods distinguished above and the nature of the providers. The challenge of providing more advanced methods can be seen across the different types of actors.

Cross-cutting patterns emerging from the study

Despite the differences in the country settings of the study, some remarkably similar patterns emerged that were echoed by a wider inventory of capacity development support mechanisms.

Box 23.4   Systemic phenomena in CD service environments

- Most *funding* for capacity development is spent in the capital on national level programmes and activities (which may have an ambition for decentralized outreach).
- Most *services* are designed at the national level in interaction between the funder and the service provider, far away from local level clients' needs.
- Capacity development support *providers* tend to be concentrated in one or two major towns. At the sub-national level one often finds small(er) NGOs or temporarily-funded programmes.
- With regard to the type of *services,* training in standard modules is the norm combined with technical advice and project management. More advanced services are very rare.
- There is a large *knowledge* gap between national and local actors, both about professional capacity development and about the 'market' for capacity development-related services and funding.
- In terms of *prices* capacity development in its present form is an expensive product for clients at the sub-national level most of whom cannot afford 'national' consultancy fees, allowances, long-distance travel costs, and so on.
- For sub-national actors the capacity development *'market'* is largely inaccessible, not transparent, and the quality of services on offer is unpredictable.

Box 23.5 Some findings from the Tanzania reconnaissance

Tanzania is a good example of the divide between international and national capacity development dynamics on the one hand, and local realities on the other. While national and international attention on the need for capacity development is growing, local organizations find it difficult to access funds and assistance to strengthen their capacities. Here are some of the key conclusions from the country reconnaissance.

- Capacity development is a top-down process. Initiatives, programmes and funding streams are designed by national actors. It is assumed that receivers need capacities.
- Local initiatives are often ignored in capacity development programmes. Even where there are interesting examples of enhanced capacities, they remain isolated. Capacity development providers are not able to capture and nurture local initiatives for up-scaling, as they are driven by national agendas set by external actors.
- Many study participants recognized the 'micro–macro gap' in capacity development.

In terms of the dynamics of service provisioning, the following factors were in play.

- *Expression of demand:* local actors have insufficient capabilities and space to express demand and are thus simply recipients of capacity development interventions.
- *Quality of supply:* provision of capacity development support is skewed towards supply-driven products, subject to a central-urban bias and often based on standardized approaches.
- *Imperfect market:* while funding is becoming available at national levels for capacity development programmes and approaches, it often does not connect to local demand. Programmes are conceptualized at the centre and face a physical challenge (the urban–rural gap).

Although there are considerable variations between and within the countries, the patterns described above are clearly visible, to the extent that they may be regarded as systemic phenomena created and maintained by the way the aid system and developing societies work.

Two examples illustrate the scenario sketched in Boxes 23.4 and 23.5. In one, a senior Tanzanian official working with an international agency in the water sector explains how a new set of capacity development training modules has been developed and is now being rolled out in the sector. The modules were largely developed by international consultants, who were flown in from abroad. He concludes that, to his own frustration, local expertise and experiences have hardly been tapped in the process of compiling the modules. In another, an NGO in one of the regions of the country has a well established practice in budget expenditure tracking and helping district officials and citizens to jointly analyse, decide on, use and monitor funds. When asked whether such expertise is also available in, or is spreading to, other regions, the head of the NGO indicates this is hardly the case. He explains

that he is limited to their funding agreement with a specific international NGO. There is a national platform that discusses these items with the government, but few actors or mechanisms that engage in the horizontal spreading of such effective practices.

Multiple types and tariffs

The service environments scanned by this study are clearly 'hybrid' in nature, populated with a mix of NGO, private sector and semi-public actors. These survive on funding from multiple sources: INGOs, the private sector, governments and donors. Over time, some 'providers' move from commercial to subsidized market segments or vice versa. NGOs, as well as commercial or semi-public entities, often use similar kinds of funding. It is not uncommon to combine different legal statuses in order to operate in this hybrid environment. Although there are clearly different segments, overall various forms of financing intertwine and form one larger market or service environment.

There are also enormous differences in prices charged. Despite variations between countries, however, one can still indicate a few broad lines. In the national arena consultancy rates of between US$100 to US$350 a day are normal for firms and NGOs, with higher fees charged for more specialized policy work. Some INGOs pay US$250–350 a day to preferred consultants. As a result their local partners at national and sub-national level face difficulties hiring these consultants because they cannot afford such rates. At a sub-national level, rates are often capped at around US$100 day but are typically a lot lower. Many local NGOs are totally dependent on one major donor or project and revert to employing just one or two staff until they find the next donor. This situation stems, in part, from a lack of choice.

Limited choice set against growing demand

There is growing demand for more and higher quality capacity development services. But the 'service delivery' concept may be part of the problem. Most capacity development assistance consists of relatively isolated training sessions or workshops, while there is little effective support to bring about longer-term change at the local level. Also, the number of lead actors in capacity development support for a sector or theme within a country is usually quite limited (often between three and eight). National and international agencies who are the principal funders often demand a standard repertoire from this limited set of providers. In roundtable discussions held in the five countries as part of the study, participants regularly expressed a desire to work more innovatively to develop methods for better outreach and horizontal spreading of effective practices. But there is neither the time nor resources to do so.

In the meantime clients, even at the local level, have become more demanding. As a local mayor in southern Cameroon said: 'One-off training and technical design is not enough. If I want my water department to function better I need somebody to work with that team over a longer period, to look at the quality of working practices, their leadership, how they relate to citizens and user groups,

their internal organization. But it is very difficult to get such support, for financial as well as technical reasons.'

This quote reflects an important development in quality of demand at the local level. It is not just technical advice or standard management practices that are lacking. What most actors seek and need is really support *to make things work*. As this volume shows, often this requires a responsive and flexible approach on the part of capacity development service providers, in which one can bring in different methods and elements as the client progresses to become more effective. This Cameroon example also confirms an observation that often, local advisors and facilitators need to have a combination of change and sector expertise. Of course many local actors still have difficulties in formulating their needs and demands well. But by now, many of them have had enough of the standard trainings and workshops that they are now and then invited (and paid) to participate in. A Tanzania NGO leader had a nice statement in that respect: 'Do you know what people start to think of when you use the word capacity development nowadays? Dull workshops and sitting allowances!'

With regard to the improvement of quality and relevance of capacity development support methods it is interesting to note that capacity development practices can be quite diverse across sectors, even within the same country. Models for 'business development services' used by LCDs within the agriculture or other private sector market chains, for example, may be transferrable to other fields. Similarly in the water sector, there is considerable experience with multi-actor platforms and processes that may be relevant elsewhere. In short, there is considerable potential for improvement through cross-fertilization of ideas and approaches between sectors. But this means more than just increasing numbers. It also means re-distributing capacity development provision outside of capital cities and major urban centres to where demand is multiplied.

Reaching below the 'glass floor'

At the sub-national level the local capacity development community consists predominantly of NGOs and individual consultants. This is because major funding is concentrated in the capital cities so that sub-national level clients can only afford the services of subsidized NGOs or individual consultants who charge affordable fees. Their outreach is likewise limited due to relatively low quantities of financing reaching this level. Therefore access to high quality services for localities and smaller municipalities is sorely limited. This is a serious limitation on the potential for providing capacity development services at scale in the areas where the demand may be highest.

As we have seen from the Tanzanian example of public expenditure tracking, in many sectors or themes there are 'pockets' of effective and successful capacity development practice. But these sources of effective practice consistently struggle to spread horizontally, often because they are dependent on a specific donor or programme. In addition, funding patterns in general do not stimulate horizontal expansion of local solutions. Funds come with their own sets of objectives and criteria, usually set from above. In general, funding is rarely responsive to ideas from below. Financing and accounting arrangements are often quite narrowly

constructed, with little room for innovation or experimentation that could be spread. Beneficiaries are induced to apply for what a financier thinks is important. Funds are less inclined to follow local lessons, dynamics, innovations and opportunities.

A related finding was an enormous relational and knowledge barrier between actors that are part of the 'national arena' and those operating at sub-national levels. It was difficult to find examples of sub-national LCDs that had won government or donor contracts. This was the case even for work in 'their' region where significant advantages are likely in terms of local presence, knowledge, connections and networking, not to mention cost effectiveness. The above factors seem to conspire to create what one could call a 'glass floor' (rather than a glass ceiling) in the system.

We can thus conclude that capacity development support faces massive challenges if it is to reach beyond major cities to the need and (potentially huge) demand at the local level. This raises the question: which strategies or approaches can be adopted to enhance outreach?

Could solutions be found in measures to increase the number of local capacity developers operating at this level at affordable rates? Or should we focus on adopting more 'networked' approaches that operate through peer-to-peer learning and horizontal spreading and better pick-up of what really works locally? A solution can possibly be found in a combination of both. What is certain is that capacity development at sub-national levels and locations is not well served by the present financing dynamics and provider community. Changes in the funding–demand–supply pattern are needed. This will require innovative strategies as the next section suggests.

Ways forward

Outreach and a weak match between the quality of supply and what really works locally are key challenges, which current financing levels and support strategies cannot meet. So, are there cheaper, more effective, networked approaches to capacity development support? Would this help solve erratic, poor-quality outreach? In order to move forward and achieve a better service environment as is urgently needed, what issues need addressing? Our analysis so far leads us to suggest three important entries for improving support to local capacity development: better analysis and understanding of local service environments; changes in key elements of funding logics; and introducing some essential orientations in the broad strategic perspective used. We will discuss each of these below.

Improved analysis and understanding

We simply need to analyse better! There is remarkably little data or material on local service environments. For a deeper understanding, a 'value chain' perspective would help open up a range of relevant questions, for example: how does the capacity development support value chain actually work? How do demand, supply and financing meet and interface? What range of products and services is in use and how adequate is it? What 'delivery models' work most effectively and

efficiently? How are prices determined and composed? What drives providers? How does innovation take place? At SNV we are presently experimenting with methodologies in this field, making use of a combination of 'market research' and 'network analysis' techniques.

When improved data and analysis become available these will not only help to inform intervention strategies; this information itself can also become an active stimulating factor. 'Markets' as well as networks thrive on good and reliable information. Understanding of approaches, products, prices and choices can empower demand and improve competition and innovation with providers. It is also the basis for peer-to-peer learning and horizontal spreading of effective practices.

Box 23.6 Five key shifts in funding logics

Localize decision-making: For local capacity development to work better it is important that decision-making is shifted more towards local actors. This will require some guidance and stimulation of 'demand expression', but local actors themselves should get the position and responsibility to determine what they think works best for their setting. This will require funders to be less focused on their criteria and more on the quality of engagement with local actors. Providers would need to be more responsive and do better exploration of actual demand.

Make market information available: There is insufficient market information for local actors (potential clients) to make conscious choices. What are the kinds of solutions and support available? Can one choose from different sources? What about price differences? What is the track record of certain methods or providers? If such information was made available, it would not only empower the demand but also foster competition and innovation among providers and inform funders to improve the strategic quality of their funding strategy.

Shared investment: Many CD interventions are supply-driven and relatively ineffective. Some form of contribution and/or co-investment by local actors would be a strong incentive to focus on sustainable solutions that have a sufficient benefit–cost ratio. It will also help to make the relation funder–beneficiary and beneficiary–provider more mature.

Reduce standardization: Contrary to the current situation, funding patterns should avoid prescribing standard (often supply-driven) solutions but foster the demand-driven development and evidence-based replication of approaches or services that effectively support local change and solutions. Providers will have to improve their adaptiveness and ability to tailor-make support to local requirements and dynamics.

Revise selection criteria: Financing entities should become selective in a different way than they are now. They should not be focused on qualifying against standard criteria, but behave more as an investor, and ask: do I believe I am really investing in a possible success here? If so, how can we help such a solution to become mature and gain scale in a responsive manner? This will stimulate local actors to take responsibility and providers to work on effectiveness as well as efficiency and scaling.

Changing funding logics

We have noted that the dominance of external funding has often made beneficiaries responsive to the priorities of financiers rather than the latter being responsive to what works and can be made successful locally. It must be acknowledged that local capacity development in many cases will remain a (partially) subsidized business. But to shift the inadequacies in the prevailing financing dynamics we like to suggest five (interconnected) elements which are summarized in Box 23.6.

Three broad strategic orientations

The above elements are tactical and technical changes to financing conventions and practices and are helpful, but they are not enough. Many present financing mechanisms are supply-driven, simply distributing funds under agreed criteria but not necessarily operating intelligently to strengthen the quality and dynamics of the capacity development service environment. Capacity development financing needs to be embedded within a strategic view of significant change in the capacity of the South (that is, local actors) to demand, develop and provide its (their) own capacity development expertise when and wherever it is required. The five concrete changes in financing logics and practices mentioned in the box above therefore need to be embedded in broader strategic orientations that offer a perspective of empowered, less dependent in-country support systems that are able to anticipate and solve their own societies' problems. We believe that three important changes in thinking and focus need to be adopted: from input to supporting local change and solutions; an improved understanding of achieving scale; and better support to spreading professionalism.

From inputs to supporting local change and solutions

Current capacity development inputs – especially standard training modules – are not necessarily helping achieve local change effectively. So a shift in thinking is needed on what capacity development itself is and how it works. A combination of better quality, proper demand orientation and the range of innovative methodologies described in this volume should help foster and facilitate local change and solutions. In general this means: (a) selection of proven approaches that are making a difference; (b) adopting forms of support that do not rigidly apply a single method but seek to combine different approaches as required for effective local change (for example combining training with coaching, some knowledge networking and support for multi-stakeholder engagement to realize a specific outcome); and (c) longer or periodic engagement to support concrete change and application in a responsive manner.

Achieving scale

Such capacity development approaches and solutions need to be scaleable. But the thinking on scale also needs to change. Currently, it is attempted by roll-out and replication of standard approaches from the centre. Instead, effective scale is often better achieved through 'horizontal learning' (Ellerman, 2001). Building peer-to-peer linkages, brokering knowledge, networking and using modern media and

communication is one angle into this type of horizontal process. Such approaches link with the need for market information for local actors mentioned above and may also stimulate the development of more advanced services. In addition there seems to be a need for capacity development methods that influence groups of actors rather than individual clients, such as multi-actor processes, strengthening (public) accountability mechanisms and value chain improvement. The possibilities to use and combine both non-commercial and commercial, market and non-market drivers for change will need to become a specific point of attention and innovation.

Spreading professionalism

Professional development of CD practitioners and support organizations, especially those working at the sub-national level, needs to be enhanced. So far it seems this has not been a significant point of attention in most development programmes and strategies. Again we need a change in thinking. Much stronger support for local capacity development professionalism is crucial, alongside new approaches and key elements mentioned above. The specific, often non-commercial, characteristics of the sub-national capacity development support provision should orient the ways of working applied under such professional development strategies or programmes. Such programmes should themselves be guided by an understanding of value chain dynamics in the capacity development support environment and should adequately create conditions for innovation and horizontal spreading.

We have suggested three strategic orientations: from inputs to supporting local solutions, achieving scale and spreading professionalism. Overarching these three strategic orientations is a need to achieve a change in the dynamics of demand–supply–financing of 'service environments' over a longer period of time. Development programs, sector ministries and donors will have to learn to consider the development of the broader service context which, in a sense, requires applying 'systems thinking' rather than just pursuing short term delivery aims.

Conclusions: The need for strategic action

A 'capacity development service industry' is emerging in most countries. In general, however, existing policies, financing strategies and (sector) programmes only pay piecemeal attention to the structural improvement of the 'service environment' for capacity development. Capacity development can help transform poverty reduction ambitions into reality. Yet policies and national or macro-level programmes often face difficulties in stimulating local change. This 'macro–micro gap' stems, amongst other factors, from the lack and mal-distribution of capacity and abilities to increase this shortcoming from within. The findings discussed above show that this gap also applies to the capacity development service sector itself. In most environments we see centralization, a supply-driven approach, fragmentation and a lack of outreach. The limited outreach to, or access by, sub-national actors can be considered a significant factor in most countries' failure to achieve ambitions such as the Millennium Development Goals.

SNV Netherlands Development Organisation is already using insights gained through this study to engage better with local capacity developers as clients,

sub-contractors and partners. The organization is also establishing 'Local Capacity Development Facilities' (LCDFs) in a number of countries. These facilities will basically combine two components: (a) brokering knowledge and market information to stimulate demand power and horizontal spreading and continuous innovation and (b) making available flexible and innovative funding to support 'scaling local solutions'. These facilities will be jointly funded, locally-governed and can be sector-focused or more generic. Essentially they will enable capacity development demand, and facilitate a more effective interface with services and finance. Updates on these initiatives will be found in SNV publications and reports in the years to come (www.snvworld.org).

In the meantime, the challenge for all of us is to move away from a focus on providing direct support to capacity development tied to our specific programme objectives. We need to start working in ways that consciously support the development of a broader service environment for capacity development. This chapter has articulated a preliminary understanding of these ideas and perspectives. We hope that much will happen in this direction in the next few years so that Southern expertise can indeed become more and more effective and take the lead in developing the capacity of its own societies.

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Third High Level Forum on Aid Effectiveness (2008) *Accra Agenda for Action*, Ghana

Recommended readings

This chapter builds on the understanding of the multi-faceted nature of capacity in the Chapters 1, 2 and 3 in Part I of this volume. For the improvement of the quality of CD support it builds on approaches and examples of effective practice discussed in Chapters 4, 5 and 6 in Part II and working with multi-actor dynamics as discussed in Chapters 11, 12, 13, 14 and 17 in Part III.

There has been little analysis of and debate on local capacity development service environments. Consequently, recommending in-depth further readings is not possible. However, there are some writings which provide entry points into the topic worthy of mention.

'Local Capacity Developers', *Capacity.org*, issue 38, December 2009

This issue of the *Capacity.org* magazine is devoted to 'local capacity developers'. Amongst others, it contains an earlier and shorter version of the present

chapter, a set of interviews with LCDs and an exploration of the knowledge architecture in the CD area.

Berg, E. (ed) (1993) *Rethinking Technical Cooperation: Reforms for Capacity Building in Africa*, UNDP, New York

In the early 1990s this report provoked a fundamental discussion on the use of foreign Technical Assistance in international cooperation and was a significant contribution to the broader capacity development discussion.

Bloom, E. et al, (2009) 'The Network Value Chain', Capacity Development Briefs, No 30, February, The World Bank Institute

This paper presents an interesting model for understanding capacity development in networks and the roles of networks in innovation and achieving scale.

Ellerman, D. (2001) 'Hirschmanian Themes of Social Learning and Change', Policy Research Working Paper No 2591, The World Bank, Washington; Ellerman, D. (2001) 'Helping People Help Themselves: Toward a Theory of Autonomy-Compatible Help', Policy Research Working Paper No 2693, The World Bank, Washington; and Ellerman, D. (2004) 'Autonomy-respecting assistance: toward an alternative theory of development assistance', *Review of Social Economy*, vol LXII, no 2

Former World Bank chief economist David Ellerman has consistently argued towards alternative forms of supporting development. One of his central concepts is that of 'decentralized social learning'. Backed by solid theory and evidence he shows how this concept helps to understand how innovations take place and how change in large systems really happens.

Third High Level Forum on Aid Effectiveness (2008)*Accra Agenda for Action*, Ghana

This high-level international agreement reflects the most recent policy understanding between donors and recipient countries. It has a strong emphasis on CD and lays out the international commitment to using more Southern expertise and strengthening it.

Tembo, F. (2008) 'Study on capacity development support initiatives and patterns – LCDF research and development phase', Report for SNV Netherlands Development Organisation, ODI, London

This is the report of a study of a considerable number of existing financing and support mechanisms for capacity development. It has interesting observations on funding logics and 'delivery models'.

SNV Netherlands Development Organisation (2008) 'Local Capacity Development Funding Mechanisms (LCDF), Research & Development Phase, Final Report', SNV Netherlands Development Organisation, The Hague.

This is the SNV internal consolidation of the five country reconnaissances and the ODI research (see above). It sets out the initial parameters of the LCDF initiative.

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