Long-term development should be a nationally led and managed process that builds upon existing capacity in designing and implementing effective strategies to further boost capacity development. Our approach in nurturing MDG-based national development strategies integrates capacity diagnostics and strategies into the heart of that process. Capacity development must be taken into the core of development planning, policy and financing if it is not to be an ineffective add-on or after-thought. Even when requested to do so, UNDP should operate in a way where we do not provide direct support services in the short to medium term without a capacity-development exit strategy. Here it is also important to mention the vital role that South-South cooperation has in capacity development, bringing as it does a unique transfer of skills between developing countries themselves.

-- Statement by Kemal Derviş, UNDP Administrator to the Executive Board of UNDP/UNFPA, 11 September 2006

Definition of Capacity and Capacity Development
UNDP defines capacity as “the ability of individuals, institutions and societies to perform functions, solve problems, and set and achieve objectives in a sustainable manner.” Capacity development (CD) is thereby “the process through which the abilities to do so are obtained, strengthened, adapted and maintained over time.” This approach standard has also been used by OECD/DAC and the UN Development Group to inform their CD frameworks.

Capacity Development Process
Capacity development is a primarily endogenous and domestically driven process. The definitions above therefore lend themselves to be taken into country-, sector- or situation-specific contexts, to be defined in very practical terms per that application, i.e., by asking the capacity for what and for whom.

Capacity development is an inherently political and complex process that cannot be rushed, and outcomes cannot be expected to evolve in a controlled and linear fashion. The diagram above shows UNDP’s articulation of the cyclical nature of the capacity development process. This is embedded in UNDP’s Results Management Guide and informs the programme cycle as prescriptive policy.

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# Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>An Overview</td>
<td>1</td>
</tr>
<tr>
<td>UNDP Capacity Development Services</td>
<td>1</td>
</tr>
<tr>
<td>Capacity Development : Areas of Support</td>
<td>2</td>
</tr>
<tr>
<td>(1) Capacity Assessments</td>
<td>2</td>
</tr>
<tr>
<td>(2) Capacity Development Strategies</td>
<td>3</td>
</tr>
<tr>
<td>(a) Institutional Reform and Incentives</td>
<td>3</td>
</tr>
<tr>
<td>(b) Leadership Capacities</td>
<td>3</td>
</tr>
<tr>
<td>(c) Education, Training and Learning</td>
<td>4</td>
</tr>
<tr>
<td>(d) Accountability and Voice Mechanisms</td>
<td>4</td>
</tr>
<tr>
<td>(3) Costing Capacity Development Strategies</td>
<td>5</td>
</tr>
<tr>
<td>(4) Capacity Development Monitoring and Evaluation</td>
<td>5</td>
</tr>
<tr>
<td>ANNEXES</td>
<td></td>
</tr>
<tr>
<td>Annex 1: Capacity Development Services in Application Contexts</td>
<td>6</td>
</tr>
<tr>
<td>Annex 2: Checklist for Capacity Development</td>
<td>15</td>
</tr>
<tr>
<td>Annex 3: UNDP Capacity Development Resources</td>
<td>17</td>
</tr>
</tbody>
</table>
An Overview

Capacity development (CD) is critical for achievement of the Millennium Development Goals (MDGs), and more generally, long-term economic and societal development. Against the background of a global commitment to fighting poverty and pledges to increase the volume of aid, the development of capacities to utilise development finance efficiently and effectively for human development ends has acquired even great urgency. The Millennium Declaration, the Paris Declaration on Aid Effectiveness, the UN TCPR resolution¹ and an increasing number of National Development Strategies reflect this prominence.

Capacity development is a means towards reaching development outcomes.² For UNDP it is the “how” of development, and is at the heart of the organisation’s mandate and functions. UNDP’s Strategic Plan (2008-2011) states that capacity development is UNDP’s single most important service to its partner countries. Capacity development underpinned by the fundamental characteristic of national ownership, cuts across the results areas of UNDP practices³, and informs the role of the UN development system in-country.⁴

This resource articulates a series of policy statements and services which UNDP emphasises in its support to capacity development efforts at global, regional and country levels. The statements of policy and the provision of these services are supported by research and analysis of capacity development theory, data sources, methodologies and applications across the various capacity development response strategies. They must be continuously validated through evaluative evidence and lessons learned through country-driven efforts, and the support provided to them through UNDP, UN agency and international partner initiatives.⁵

Capacity development efforts must be led and grounded in endogenous efforts if they are to be meaningful and sustainable. UNDP will work closely with the UN development system, and global, regional and national partners, to support CD efforts through the provision of these services.⁶

UNDP Capacity Development Services

UNDP offers CD support services in the areas of methodology and tools; advocacy and advisory services; programme support; and knowledge exchange and partnerships.

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² Refer UNDP Practice Note on Capacity Development, 2006.
³ Refer UNDP Strategic Plan, 2008-2011 and Results Management Guide.
⁵ Given the multi-faceted nature of capacity development, as well as the attribution challenges it invokes, it is difficult to draw direct causal relations between the increase and decrease of a particular capacity and a given development outcome. Therefore, much of the knowledge base from which CD policies and initiatives are prioritized, draws inferences of “impact” based on intermediate or process objectives. The triangulation of case evidence (e.g., good practice on leadership style, on role definition, of feedback and review processes), data sources (e.g., on level of education, salary levels, numbers trained) and best practice standards (e.g., in project management, international procurement standards), allows for validating some of these inferences, to draw practical conclusions on level of impact of a CD strategy in a given area.
⁶ Some of these capacity development strategies and respective methodologies can be applied to a UNDP or UNCT internal context as well. UNDP’s Bureau of Management (via the Management Consulting Team) is responsible for capacity development services for UNDP Country Offices.
Supporting Capacity Development: The UNDP Approach

Methodology and Tools:
- A methodology for capacity assessment based on review of good practice methodologies
- Approach for CD responses
- Costing methodology for CD responses
- Analysis and application of capacity indicators and measures, based on international norms and standards (where such exists) and ground evidence

Advocacy and Advisory Services:
- Capacity development policy positioning at global, regional and country levels for capacity development approaches and integration into development planning, management and services

Programme Support:
- Facilitation of capacity assessment exercises
- Costing of CD investments and activities
- Formulation of capacity development strategies
- Facilitation of partnerships for investments in, and implementation of, CD strategies
- Monitoring and evaluation measures for progress on CD

Knowledge Exchange and Partnerships:
- Facilitation of capacity development learning, knowledge management and networking (analysis of case evidence; methodology development; knowledge products on CD applications)
- Global and local partnering and exchange, through CD information and learning networks
- Conducting training and learning sessions (regional workshops, Virtual Development Academy, UN staff college) for staff and clients

Capacity Development: Areas of Support

The areas of support in which UNDP engages on capacity development are four-fold: capacity assessment; capacity development response strategies; costing capacity development strategies; and capacity development monitoring and evaluation. Below are statements of UNDP policy and service offerings in each area.

(1) Capacity Assessments

Policy Statement
- Capacity assessments are essential to a more rigorous and actionable application of capacity development initiatives within MDG-based national development strategies/PRSPs. Integrating such capacity assessments, and their findings, into national and local development plans and budgets is at the heart of an efficient and sustainable capacity development response.
- While using a standard framework and methodology provides a systematic approach and objective process for such engagement and exercise, local players must adapt the content to suit local needs.
- Scoping capacity assessments and analysing findings must engage key local stakeholders, as they are best suited to manage trade-offs (“winners and losers”) in prioritisation of capacity needs, responses identified, and investments recommended.
- CD strategies and investments not grounded in rigorous capacity assessment often reduce themselves to training, which is necessary but not sufficient for sustained results.

Service Offerings
1. A UNDP capacity assessment methodology, including a User’s Guide and Supporting Tool, for use by UNDP staff with their clients, as a standard for UNDP engagement in this field.
2. Engagement in capacity assessment scoping exercises and support to full capacity assessment exercises (including adapting capacity assessment methodology to local context).
3. Engagement in analysis of capacity assessment results and design of capacity development strategies (including programme consultations and design with multiple stakeholders, capacity development resource identification and costing as appropriate).
4. Facilitation of capacity assessment training at global, regional and country levels, for UN/UNDP and country clients.
Supporting Capacity Development: The UNDP Approach

(2) Capacity Development Response Strategies

UNDP prioritises four capacity development response strategies that, through our study of norms and standards, good practices and data sources where available, inform us have an impact on the development and retention of endogenous capacity at the national and local levels. These strategies are: Institutional Reform and Incentives; Leadership Capacities; Education, Training and Learning; and Accountability and Voice Mechanisms. These cut across thematic and sector specificity and in that sense are “practice neutral.” For their impact to be fully realised, development solutions must always reflect local circumstances and local aspirations. It is essential to recognise programme countries’ leadership and ownership of national development strategies and interventions; this is at the heart of the capacity development approach.

a) Institutional Reform and Incentives

Policy Statement

- Motivation is an important driver for sustaining the results of institutional change. This can be fostered through a combination of hard incentives (e.g., merit-based pay and performance systems) and soft incentives (e.g., well defined training, fellowships and work-life policy).
- Change is ultimately an endogenous phenomenon. External agencies may catalyse change but not seek to drive it; change efforts and related CD responses must adapt to local attitudes and behaviours to be accepted, but stay the course on universal norms and standards.
- Addressing corruption is a strong motivator for institutional reform and change management. Clean leadership and the systems for regulation, monitoring and review are essential to developing and retaining capacity in-country.
- Sub-national institutions offer a rich space for innovation in institutional change. Effective institutional reform at local levels is measured by the ability of sub-national institutions, state and non-state actors, to deliver cost-effective and quality services to the poor.
- National salary supplementation schemes, if harmonised and with political support, could be a necessary short-term injection of support to attract and retain capacities, particularly in transition and post-crisis situations.
- The “right” enabling environment, e.g., public safety, availability of basic services and the rule of law, provides a strong non-monetary incentive.

Service Offerings

1. Visioning exercises and sensitisation efforts, making the case for investing in change.
2. Facilitation of organisational capacity assessments, relating such also to the enabling environment that the organisation functions in.
3. Facilitation of organisational change management exercises.
4. Advocacy and engagement in design of national monetary and non-monetary incentives.

b) Leadership Capacities

Policy Statement

- Change processes have “winners and losers,” and hence require strong and inclusive leaders to manage them. Leaders who are facilitators and open to building coalitions of aligned interests around the need for, and responses to, change are an essential for MDG achievement.
- Leaders focused on change and clean government often require urgent and time-bound support in their efforts to deepen societal and organisational transformations, particularly during periods of transition. This requires a rapid response to embed CD investments and support, in transition strategies, from their inception. Prioritisation and sequencing becomes a political negotiation.
- Leadership capacities of change agents who have distinctive influence in state and non-state sectors must be retained and strengthened.
- Leadership support efforts linked directly to development activity, including to revenue-generating actions, demonstrate immediate concrete results and have a higher chance of sustaining results.

Service Offerings

1. Engagement in integration of leadership training and skills development into local development programmes (with appropriately adapted training modules).
Supporting Capacity Development: The UNDP Approach

2. Provision of space for dialogue, platforms of action and access to information and networks for young leaders to interact with each other, across localities and regions.
3. Providing access to peer coaching and mentoring support to local leaders through leadership exchange initiatives and south-south cooperation.
4. Advisory services on national programmes to retain (and attract from Diaspora) leadership capacities in-country.

c) Education, Training and Learning

Policy Statement
- Greater investments must be made in in-country education systems, including in post-secondary education and technical institutions of learning, for them to become the long-term foundation of national capacity.
- The vision and content of post-secondary education should be more directly focused on affecting the development outcomes and reform agenda of the country.
- Access to continued learning through professional training and education opportunities is an essential non-monetary incentive for the retention of capacity and must be invested in.
- The study of ethics and values, including a respect for human rights and gender equality, should be a formal part of the curricula in education and public administration training.
- Access to data and knowledge, through public information services and statistical literacy strategies, is highly capacitating and should be incorporated and costed into national development strategies and organisational business plans.

Service Offerings
1. Engagement with university leadership in the formulation of the national development agenda; and support to efforts to incorporate the local development agenda into curriculum reform.
2. Facilitation of partnerships for investments in tertiary and technical education reform.
3. Advocacy and engagement in design of training strategies to best suit client needs.
4. Facilitation of capacity assessments in the education sector, with the key partners involved, in the context of national development strategies/poverty reduction strategies formulation and implementation.
5. Facilitation of change management exercises for the institutional reform of universities and technical training institutions.

d) Accountability and Voice Mechanisms

Policy Statement
- Corruption undermines and erodes capacity and long-term development, and must be addressed directly, through legal, institutional and educational means.
- Priority is accorded to downward accountability, between state and communities, for mutual engagement on achieving development results.
- Country-donor mutual accountability for development finance calls for a transformation of aid relations and aid coordination mechanisms, to enable greater national leadership, multi-stakeholder engagement and transparency in aid relations.
- Deliberate and sustained engagement of civil society in the national policy and budget dialogue is critical to national development strategies/poverty reduction strategies.

Service Offerings
1. Engagement in the design and tracking of mutual accountability mechanisms, such as peer review mechanisms; monitoring mechanisms; and client voice mechanisms, such as client surveys, citizen’s audits and social watch mechanisms.
2. Engagement in design of support systems that provide communities access to information needed to engage in such mutual accountability mechanisms.
3. Facilitating multi-stakeholder engagement in visioning, planning and participatory monitoring; and training in these methodologies (such as “group” techniques).
4. Training and expertise to establish and sustain community mechanisms to track and measure MDG progress and policy implementation.
(3) Costing Capacity Development Strategies

Policy Statement
- Capacity assessments (CA) provide a starting point and methodology for costing existing and required capacity assets. Defining and costing a CD response must be embedded in the CA process.
- Costing capacity requirements (inputs) require a mix of methodologies to include the tangible “hard” unit costs (such as for staffing, training and systems upgrades), as well as imputing a cost for the soft capacity units (of leadership vision, attitudes to change, openness of dialogue, volunteerism and so on).
- A capacity assessment that precedes an MDG needs assessment provides for the costed capacity coefficients to be included in needs assessment outputs. The “financing gap” identified by the needs assessment would thereby embed the “capacity gap” while also recognising the existing capacity assets of that country, institution or sector.
- Costing capacity requirements through such processes, and into macro economic frameworks, must be articulated in public investment strategies. The source of funding for meeting such capacity needs could be multiple (domestic revenue, ODA, FDI).

Service Offerings
1. A standard costing methodology for capacity requirements as a corollary to the capacity assessment tool. (pending)
2. Programme design support on input costing CD interventions for specific CD response strategies.
3. Facilitation of capacity assessments with needs assessments exercises, to arrive at a full capacity costing of MDG-based requirements.
4. Adaptation of capacity costing coefficients based on given application areas (pending)

(4) Capacity Development Monitoring and Evaluation

Policy Statement
- A monitoring and evaluation system must be in place to measure both the effectiveness of specific capacity development strategies (outputs) as well as changes in capacity (outcomes).
- Indicators must be identified and baselines set during the capacity assessment phase of the capacity development process, and incorporated into the CA tool; progress will be measured against baseline data over pre-determined time periods.
- Monitoring of progress is incorporated into ongoing operational programme and project management, is based on organisational effectiveness and is captured in periodic and audits. Evaluation of progress is based on development effectiveness and is captured through independent reviews.
- Capacity development indicators, at output and outcome levels, can be incorporated into a national or organisations standard M&E framework, and does not require a separate system.

Service Offerings
1. Provision of measurement methodologies and systems to monitor capacity change at national and local levels.
2. Provision of core programme indicators for capacity development response strategies and select application contexts.
3. Training and support to local counterparts on monitoring standards and mechanisms.
ANNEX 1: UNDP Capacity Development Services in Application Contexts (Illustrative)

Capacity development is a core principle that is integrated in the results areas of all UNDP practices in support of national/sector strategies. The following serve as illustrations of mainstreaming CD in application areas; detailed policy statements and service offerings can be found in the following pages and links below.

Capacity Development for Localising the MDGs
Capacity Development in Transition Situations
Multisectoral HIV/AIDS Responses
Capacities for Improved Implementation of GFATM Resources
National Programme Implementation Capacities
National Aid Management
Public Finance Capacities
Public Private Partnership for Local Service Delivery
Policy Statement

- Localising the MDGs is premised on the fact that the MDGs have to be realised at sub-national levels. Local development strategies need to be adjusted and prioritised accordingly. To do this, the targets and indicators under each global MDG goal must be adapted to the needs of that local situation.

- Disaggregated data at sub-national levels provides the hard basis for localisation. Where absent, the capacity to gather, analyse and use such (or relevant proxies) is the necessary starting point.

- The capacity development agenda focuses on five aspects of localising the MDGs: a) mobilising stakeholder involvement; b) baseline assessment and analysis; c) developing an integrated plan and budget; d) implementation of action plans; and e) participatory monitoring and review (for both financial and results accountability).

Service Offerings

1. Support for the strengthening of local government capacities for the delivery of services and the practice of inclusive and democratic decision-making.

2. Facilitation of enabling legal framework for decentralisation.

3. Facilitation of opportunities for citizens to express their views on and priorities for local services and investments.

4. Engagement in the promotion of local development through pro-poor investments.

5. Learning modules that address the key steps of localising and facilitation of related training.

6. Knowledge fairs, workshops and local and inter-regional networks to raise awareness on the localisation agenda, exchange experiences and learn from a growing practice.

7. Facilitation of opportunities for local-to-national linkages, through provision of forums for local leaders to engage in national development dialogue, and vice versa.

8. Assessment of the programme implementation and service delivery environment at local level, including the policy and regulatory frameworks that govern local service delivery.

For background information, please read:

- Supporting Capacity Development: The UNDP Approach
- UNDP Practice Note on Capacity Development for MDGs Localisation
- Toolkit for Localising the Millennium Development Goals (MDGs)

Policy Statement

- A timely response to windows of opportunity requires a rapid response capability that includes provision of an assessment, identification of some high-impact development opportunities and the negotiation of longer-term capacity development investments from the very start.
- Visible and immediate support to leaders at national and local level, through capacity development funds, is essential to support initial difficult reforms of the state sector.
- Investments to enhance the effectiveness of the security and justice sectors to provide a stable environment and rule of law are lynchpins for attracting and retaining capacities during difficult transitions.
- Monetary and non-monetary incentives to attract and retain key national capacities, are an essential part of civil service reform, and can be supported in a transparent, time-bound manner.

Service Offerings

1. Engagement in or facilitation of capacity assessments adapted for rapid response situations.
2. Engagement in analysis of what works and what doesn’t with Capacity Development Facilities at country level, and support for the design of such.
3. Advisory and programme support on prioritisation and sequencing of capacity investments for short-term impact, and others for longer-term gain, in given fields, such as disaster risk reduction, demining and demobilisation, public security and economic recovery.
4. Provision of advisory support on national incentive schemes and exit strategies.
5. Facilitation of leadership development skills programmes in transition contexts.

For background information, please read:
- Supporting Capacity Development: The UNDP Approach
- UNDP Practice Note on Capacity Development During Periods of Transition

Policy Statement

- In the context of a growing epidemic, scaled-up responses must be integrated actively into national economic and social development processes – including MDG-based national plans, Poverty Reduction Strategies, and decentralised planning instruments.

- Implementing strategic responses to HIV/AIDS is crucial for ensuring effective governance, management of national and international resources, and a cohesive and effective partnership between the state, private sector and the civil society. A multisectoral approach is needed to develop and implement programmes taking into account the voices and concerns of people living with AIDS and to empower women who are the most heavily affected by the AIDS epidemic.

- Measures for wider prevention coverage and mitigation of the impact on vulnerable populations in particular, must stem from a deeper understanding of the socio-economic determinants of the epidemic. Management of the national response must then be backed by a macroeconomic environment that sustains the levels of public expenditure necessary to protect those who are in need of support and services.

- Enhancing and building capacities of countries to fully utilise flexibilities and safeguards under international trade regimes is key for sustained access to affordable, quality AIDS medicines and greater access to AIDS funding for HIV/AIDS prevention, care and treatment.

Service Offerings

1. Technical assistance and knowledge sharing for effective integration of HIV/AIDS into Poverty Reduction Strategies.

2. Comprehensive capacity building initiative focused around costing and budgeting, conducting poverty diagnostics, harmonising with donor countries, implementation, and M&E.

3. Technical assistance to countries for the analysis of options regarding Intellectual Property and trade-related issues with respect to procurement and supply of ARVs.


5. Technical and advisory support based on global applied research, leadership capacity development programmes, Community Capacity Enhancement and other methodologies empowering leaders and communities from all sectors to generate commitment and sustainable action to address the underlying causes of the epidemic.

For background information, please read:
- Supporting Capacity Development: The UNDP Approach
- Mainstreaming HIV and AIDS In Sectors & Programmes: An Implementation Guide for National Responses
- The TRIPS Agreement And Access To ARVs
- Leadership for Results: UNDP's response to HIV/AIDS – District Planning and Implementation
- Leadership for Results: UNDP's response to HIV/AIDS – The National Development Planning and Implementation

Capacities for Improved Implementation of Global Fund Resources by Civil Society Organisations and Government Institutions

Policy Statement

- While countries are receiving more funding for AIDS responses than ever before, there is a greater need to “make the money work,” strengthen country capacity and generate sustainable results.

- Enhancing capacities of national stakeholders, including project planning, sub-grant and contract administration, fund management, procurement, and monitoring and evaluation, is key to effectively scale up responses to HIV/AIDS, Tuberculosis and Malaria.

Service Offerings

1. Assessment of capacity gaps to determine bottlenecks to successful implementation of programme objectives.

2. Effective channeling of international resources and coordinated technical assistance for national stakeholders.


4. Global, regional and in-country training on overall grant management, financial management, procurement and supply chain management, as well as monitoring and evaluation.

5. Investment in adapting Atlas financial system specific to Global Fund performance-based funding requirements for enhanced monitoring, including monitoring of ARV drugs.

For background information, please read: Supporting Capacity Development: The UNDP Approach

The document is available at: http://www.capacity.undp.org/
Policy Statement

- The achievement of development results is highly dependent upon the human and organisational capacities to effectively, efficiently, and accountably manage and implement the programmes and projects structured to deliver these results.

- Programme and project implementation capacities include the functional areas of programme & project management, monitoring & oversight, procurement, financial management, human resources management, and data/information management; these capacities are independent of funding source, sector, and development objective.

- Programme and project implementation capacities are required to deliver results in a specified time period that bring transformational change, while service delivery capacities are required to efficiently deliver public services on an ongoing basis.

- If an “implementation gap” exists between development strategies and the abilities required to implement the strategies, even well-planned, structured and budgeted programmes will waste time and money in the best case, or fail in the worst case.

- To deliver and achieve sustainable results, the implementation of development programmes and projects must be led and conducted by national public and private institutions, requiring in many cases the development of national capacities in implementation.

Service Offerings

1. Development and facilitation of national counterpart advocacy in implementation capacities.

2. Facilitation of capacity assessment scoping, planning, and monitoring support in the functional areas of national implementation capacity.

3. Engagement in defining and designing capacity development strategies and plans to improve national implementation capacities.

4. Brokering of expertise and knowledge in implementation capacity standards, methods, and solutions from public and private sectors.

For background information, please read:
- Supporting Capacity Development: The UNDP Approach
- UNDP Procurement Capacity Assessment Tool
- UNDP Procurement Capacity Assessment User’s Guide

Policy Statement

- Aid Effectiveness is crucial for achieving development outcomes intended to make economic, social and political outputs work for the people, promote sustainable human development, reduce poverty levels and promote the achievement of the MDGs.
- Effective aid requires Government leadership and ownership of the aid coordination mechanisms and processes, as well as the management of ODA.
- Strengthening transparency and accountability, i.e., results-based management, is crucial for development results to happen and for resource mobilisation and management.
- Identification of resource gaps for financing the MDGs through the lens of internal and external resource mobilisation and management can help prioritise development priorities and promote development outcomes.
- South/South knowledge sharing, learning and advocacy around the implementation and monitoring of the Paris Declaration on Aid Effectiveness strengthens the voice of partner countries in the global and regional discussions with development partners and promotes use of good practices across countries and regions.
- Scaling up of resources, especially from new and non-DAC donors, can significantly contribute to reaching the MDGs.

Service Offerings

1. Capacity assessment methodology, along the principles of effectiveness of aid for development, to review national capacity needs for aid coordination and management.
2. Customised capacity development strategies to address needs of national aid coordination units to assume national ownership and leadership of the process.
3. Support to developing capacity of senior management to lead donor/government mechanisms such as Consultative Groups/Round tables and to conduct expert negotiations, in an effort to ensure national ownership.
4. Support to developing capacity of the legislature for ODA oversight and internal and external resource planning and allocation through the Medium Term Expenditure Framework and the budget, especially in Middle Income Countries.
5. Support to developing capacity of ministries of finance and other responsible institutions for aid management and ODA monitoring, through the deployment of aid management systems that are cost-effective, web based and transparent.
6. Support to developing capacity of “emerging donors” to strengthen their contribution to development as they scale up ODA.
7. Facilitation of South/South and “peer” learning and knowledge sharing as a capacity development tool across countries and regions.

For background information, please read:
- Supporting Capacity Development: The UNDP Approach
- UNDP Practice Note on Capacity Development and Aid Effectiveness

All documents are available at: http://www.capacity.undp.org/ and http://www.devaid.org
Policy Statement

- Public financial management reform is a necessary pre-condition for effective budget management. However, it does not represent a sufficient platform to align budgets with development objectives, including the MDGs. As other international partners forcefully emphasise managerial reforms to increase efficiency in tax collection and public spending, UNDP stresses the need to develop governments’ capacity to analyse fiscal policy options and trade-offs.

- An active fiscal policy can promote poverty reduction. The focus in public investment has traditionally been on maintaining macroeconomic stability, which is necessary but not sufficient for pro-poor human development. Fiscal policy should not be limited to expenditures financed from the budget (counter-cyclical and redistribution measures notably). More expansionary fiscal policy through investments in targeted sectors such as health, education, roads and R&D can foster a non-inflationary domestic capital accumulation process which directly and indirectly reduces poverty and proves a more long-term and durable basis for human development.

- Public investment is a necessary complement and prerequisite for private investment. Increased public investment has traditionally been perceived as a threat to private investment, based on concerns of “crowding out” (when an increase in public investment must be compensated by a decrease in private investment). However, there is an increasing consensus that in supply-constrained developing economies, private investment can be “crowded in” by well designed public investment programmes that attract private investment due to the cost reduction and profit expectations associated with improved human and physical infrastructure and increased productivity of capital and labor.

- Achieving the MDGs requires significant scaling-up of resources. Most policy research and advice on fiscal reform in the 1990s placed a strong emphasis on short-term macroeconomic stability and fiscal solvency objectives (maintain low inflation and a manageable level of debt) that constrained public spending. More recently the emphasis has shifted on the need for efficiency (in tax collection and administration) and higher levels of foreign aid to finance incremental public spending. However, in most developing countries, these options are not enough to finance appropriate public investments with long-term developmental returns that domestic resources must be mobilised through taxation and domestic borrowing (DB).

- DB is too often limited by short-term conditionalities, preventing savings from being realised for productive investment. DB represents a transfer from the domestic private sector to the domestic public sector and hence does not directly increase a country’s liabilities to the rest of the world. It can also increase the propensity to save to the extent that such borrowing reduces domestic consumption. It can, however, crowd out private investment and have negative distributional implications, depending on the country context, the fiscal situation and precisely how the borrowing is done. Hence it is important to assess the net benefits of domestic borrowing in determining its optimal magnitude.

Service Offerings

1. Technical support for the formulation and implementation of fiscal policies for poverty reduction and achievement of the MDGs.

2. Provision of advisory services, project design, training and access to expertise on pro-poor domestic resource mobilisation; understanding of fiscal space for the MDGs, macroeconomic challenges of scaling-up for the MDGs and other critical topics for the design of MDG-consistent macroeconomic frameworks.

3. Support for development of medium-term fiscal frameworks (MTFFs). Pro-poor public investments, often requiring significant and sustained funding over a long time horizon (at least 10 years), can be facilitated by the use of MTFFs, a revisable statement of fiscal policy objectives and integrated medium-term macroeconomic and fiscal targets and projections, with an optimal time horizon of 3-5 years.

4. Support and training on how to read and understand an IMF article IV, and assessment of national macro-fiscal trends.

For background information, please read:
- Supporting Capacity Development: The UNDP Approach
- Fiscal Space for Public Investment: Towards a Human Development Approach
- Investing in Development: The Millennium Development Goals, Aid and Sustainable Capital Accumulation

Policy Statement

- Sound economic governance for pro-poor service delivery is premised on the appropriate policy and regulatory environment that enables the right mix of state and non-state engagement in the delivery and oversight of basic services at the local level.

- The regulation of the services sector is the responsibility of the state. However, it must involve local authorities, private sector and users to negotiate and agree on the business processes, service standards and tariffs, client coverage/access to services and targets to be met, to ensure both cost efficiency and social equity in service provision.

- Involving non-state actors in the delivery of basic services leads to a role change for the state, from direct provider to enabler and regulator of the non-state/private sector in local service delivery. This triggers the significant capacity development needs for local authorities.

- Public Private Partnerships (PPP) offers a methodological framework, with capacity development support, for embedding the above provisions into well monitored contractual agreements with the local private sector.

Service Offerings

1. Facilitation of assessment of the policy and regulatory frameworks that govern local service delivery in x sector.

2. Facilitation of multi-stakeholder consultations around the good practices, measures and standards that could be applied to improving local service delivery (efficiency and access) in that sector.

3. Support for capacity assessments and functional analyses of the roles and responsibilities of the state, private sector and user groups vis-a-vis pro-poor service delivery in x sector, using PPP framework.

4. Implementation support for the PPP framework in the areas of water, sanitation, solid waste management and decentralised energy services provision.

5. Assessment tools, expert networks and training of national and local stakeholders in PPP design and implementation in the service sector.

For background information, please read:
- Supporting Capacity Development: The UNDP Approach
- Toolkit for Pro Poor Municipal Public Private Partnerships
- Step-by-Step Guide for Pro-Poor Public Private Partnership: For a Basic Urban Service

ANNEX 2: Checklist for Capacity Development

Table 1: Applying the Capacity Development Process

[This is an indicative checklist highlighting key issues to be mindful of while incorporating capacity development in programmes and interventions]

<table>
<thead>
<tr>
<th>Elements</th>
<th>Key Operational Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assess Capacity Assets and Needs</td>
<td>- Mobilise and design the capacity assessment exercise</td>
</tr>
<tr>
<td></td>
<td>- Conduct the capacity assessment</td>
</tr>
<tr>
<td></td>
<td>- Summarise and interpret capacity assessment results</td>
</tr>
<tr>
<td>Define Capacity Development Strategies(^1)</td>
<td>- Define capacity development strategies and the required data and analysis that supports them</td>
</tr>
<tr>
<td></td>
<td>- Define progress indicators for capacity development strategies and capacity development</td>
</tr>
<tr>
<td></td>
<td>- Cost capacity development strategies and capacity development</td>
</tr>
<tr>
<td>Implement Capacity Development Strategies</td>
<td>- Set up national and local programme and advisory teams that will guide and manage application of the strategies</td>
</tr>
<tr>
<td></td>
<td>- Facilitate the lead institutions and networks of relevant service delivery agents to perform their functions</td>
</tr>
<tr>
<td></td>
<td>- Introduce techniques for efficient project financial management, as well as leadership and change management</td>
</tr>
<tr>
<td>Monitor &amp; Evaluate Capacity Development Strategies</td>
<td>- Conduct short-term monitoring based on the agreed CD progress indicators</td>
</tr>
<tr>
<td></td>
<td>- Ensure results feed into results based management systems</td>
</tr>
</tbody>
</table>

\(^1\) While defining CD Strategies, it is necessary to recognize the key characteristics of CD strategies and the different strategies that may be applied toward different priority capacity investments.
Table 2: Applying Capacity Development Responses

<table>
<thead>
<tr>
<th>Elements</th>
<th>Key Operational Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Capacity Assessment</strong></td>
<td></td>
</tr>
<tr>
<td>i) Point of Entry</td>
<td>- Individual</td>
</tr>
<tr>
<td></td>
<td>- Organisational</td>
</tr>
<tr>
<td></td>
<td>- Enabling environment</td>
</tr>
<tr>
<td>ii) Functional Capacities</td>
<td>- Engage in multi-stakeholder dialogue</td>
</tr>
<tr>
<td></td>
<td>- Analyse a situation and create a vision</td>
</tr>
<tr>
<td></td>
<td>- Formulate policy and strategy</td>
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<tr>
<td></td>
<td>- Budget, manage and implement</td>
</tr>
<tr>
<td></td>
<td>- Monitor and evaluate</td>
</tr>
<tr>
<td>iii) Core Issues</td>
<td>- Leadership</td>
</tr>
<tr>
<td></td>
<td>- Policy and legal framework</td>
</tr>
<tr>
<td></td>
<td>- Mutual accountability mechanisms</td>
</tr>
<tr>
<td></td>
<td>- Public engagement - inclusion, participation, equity and empowerment</td>
</tr>
<tr>
<td></td>
<td>- Public engagement - access to information and knowledge</td>
</tr>
<tr>
<td></td>
<td>- Human resources</td>
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<td>- Financial resources</td>
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<tr>
<td></td>
<td>- Physical resources</td>
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<tr>
<td></td>
<td>- Environmental resources</td>
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<tr>
<td></td>
<td>- Gender equality</td>
</tr>
<tr>
<td></td>
<td>- Human rights</td>
</tr>
<tr>
<td><strong>2. Capacity Development Response Strategies</strong></td>
<td></td>
</tr>
<tr>
<td>i) Institutional Reform and Incentives</td>
<td>- Investing in change</td>
</tr>
<tr>
<td></td>
<td>- Organisational change management</td>
</tr>
<tr>
<td></td>
<td>- Incentive systems (monetary &amp; non-monetary incentives)</td>
</tr>
<tr>
<td></td>
<td>- Ethics and values</td>
</tr>
<tr>
<td>ii) Leadership Capacities</td>
<td>- Linking leadership training with local development programmes</td>
</tr>
<tr>
<td></td>
<td>- Promoting young leaders</td>
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<td></td>
<td>- Peer coaching and mentoring support to local leaders</td>
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<td></td>
<td>- Retention strategies for leadership capacities</td>
</tr>
<tr>
<td>iii) Education, Training and Learning</td>
<td>- Incorporate local development agenda into curricular reforms</td>
</tr>
<tr>
<td></td>
<td>- Investing in tertiary and technical education</td>
</tr>
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<td></td>
<td>- Continued learning (through professional training and education)</td>
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<td></td>
<td>- Knowledge fair</td>
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<tr>
<td>iv) Accountability and Voice Mechanisms</td>
<td>- Mutual accountability mechanisms (peer review, monitoring, client voice)</td>
</tr>
<tr>
<td></td>
<td>- Community access to information</td>
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<td></td>
<td>- Multi-stakeholder engagement</td>
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<td></td>
<td>- Aid coordination mechanisms</td>
</tr>
<tr>
<td><strong>3. Costing Capacity Development Strategies</strong></td>
<td>- “Hard” unit costs (staffing, training, systems upgrades)</td>
</tr>
<tr>
<td></td>
<td>- Imputed “basket” costs for the “intangibles” (leadership vision, attitudinal change, public engagement)</td>
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<tr>
<td></td>
<td>- Programme indicators (output &amp; outcome)</td>
</tr>
</tbody>
</table>
ANNEX 3: UNDP Capacity Development Resources

Theoretical and Case Study Publications
- Capacity for Development: New Solutions to Old Problems
- Developing Capacity through Technical Cooperation
- Ownership, Leadership, and Transformation: Can We Do Better for Capacity Development?

Policy and Practice Notes
- Supporting Capacity Development: The UNDP Approach
- Practice Note on Capacity Development
- Practice Note on Capacity Assessment
- Practice Notes and Concept Notes on the Capacity Development Response Strategies
  - Managing Change in Public Sector Organisations
  - Incentive Systems: Incentives, Motivation and Development Performance
  - Leadership Capacities
  - Education, Training and Learning
  - Mutual Accountability Mechanisms: Accountability, Voice and Responsiveness
  - Multi-Stakeholder Engagement Process
- Practice Notes on the Applications
  - Capacity Development for Localizing the MDGs
  - Capacity Development during Periods of Transition
  - Capacity Development and Aid Management
  - Procurement Capacities

Resource Guides and Tools
- UNDP Capacity Assessment User’s Guide and Supporting Tool
- UNDP Guidelines on Direct Budget Support, SWApS & Basket Funds
- Guide on Leadership for Human Development
- Toolkit on Localising the MDGs
- Toolkit on Private Sector Development
- UNDP-LEAD Leadership Modules
- CD Resource Catalogue On Measuring Capacities: An Illustrative Guide to Benchmarks and Indicators
- A CD Guide on Applying a Human Rights-Based Approach
- CSO Capacity Assessment Tools

CD Expert Rosters
- Database of external consultants, organisations, and agencies with CD expertise
- Sub-communities of practice, i.e. leadership, strategic planning

CD Websites/Knowledge Spaces
- External Website: http://www.capacity.undp.org
- Internal Workspace: http://content.undp.org/go/topics/capacity/
- Capacity Development Network: capacity-net@groups.undp.org
The UNDP Capacity Development Website

http://www.capacity.undp.org

**Capacity Development**

UNDP is working in 166 countries to help develop the capacities required to achieve the Millennium Development Goals (MDGs). **Capacity** is the ability of individuals, institutions and societies to perform functions, solve problems, and set and achieve objectives in a sustainable manner. **Capacity Development** (CD) is thereby the process through which the abilities to do so are obtained, strengthened, adapted and maintained over time.

**Localising the MDGs: Local Development, Global Impact, 18-19 April 2007, Nairobi, Kenya**

On 18 and 19 April, SNY Netherlands Development Organisation (SNV) and the United Nations Development Programme (UNDP) - in partnership with UN-HABITAT and UNCDF - hosted a learning event to review and discuss efforts to localise the Millennium Development Goal (MDG) and assess the claim that the MDGs cannot be achieved without bringing them to the local level. The event brought together some 80 development practitioners and local partners from over 30 countries to share and learn from each other's experiences and explore joint ambitions for the future around three key themes: participation, planning and budgeting; implementation and scaling-up; and monitoring and review of MDG localisation.

**UNDP and Capacity Development Strategies**

Over the years, the following capacity development strategies have emerged as good practice for UNDP. Based on lessons from practice, these strategies can be applied to achieve capacity development.

**Resources & Tools**

Leads to the webpage with Capacity Development Library