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Background document

Agenda item 4: Reinforcing state capacity:  
A harmonized United Nations system approach  
to national capacity development

# **Reinforcing state capacity: A harmonized United Nations system approach to national capacity development**

## **Introduction**

1. Capacity development is a continuous process of investing in the abilities of individuals, their organizations and their communities to make their development results achievable, sustainable and repeatable. It is the ‘how’ of human development. In the [2007 triennial comprehensive policy review \(TCPR\)](#)<sup>1</sup> the United Nations system is called upon to harmonize capacity development efforts and related activities. Member States urge “all organizations of the United Nations Development system to intensify inter-agency sharing of information at the system-wide level on good practices and experiences gained, results achieved, benchmarks and indicators, and monitoring and evaluation criteria concerning their capacity-building and capacity development activities” (paragraph 47). They specifically encourage the United Nations development system to provide capacity development support through coordinated programmes, to lower transaction costs and to increase joint work at the country level (such as in connection with missions, analytical work, evaluations, training and lessons learned). The TCPR emphasizes that national systems and structures should be used and supported to the fullest extent possible. The practice of establishing parallel implementation units outside national and local institutions is to be avoided, wherever possible (paragraph 39).

2. Efforts to strengthen national capacities have been seriously tested in the last year. Existing capacity challenges are exacerbated by a financial and economic crisis in developed countries that is spreading globally, by high and volatile food and energy prices, and by the onset of climate change. The most recent international conferences (Accra High-level Forum<sup>2</sup>, the MDG High-level event, the [Doha Financing for Development Review Conference](#) and the [Poznań climate change discussions](#)) reinforced the urgency to address national capacities to be able to respond to these global interconnected challenges and related financing-for-development commitments.

3. The global financial and environmental crises have shown that an effective state is required for market development, for the fair distribution of wealth and for managing a sustainable environment. The consequences of climate change can be seen as a visible demonstration of ‘market failure’, amongst other factors. At times of profound challenges to existing paradigms, financing architecture and resource flows, what works is often to invest further in the basics of development and to do it right. With conflict and insecurity on the rise, the failure of the state to adequately address these primary issues have resulted in a reevaluation of the role of the state and the capacities required to regain the reins of peace and development. Given the depth, the duration and the complexity of these challenges, state engagements and interventions will be needed to address these interlinked development conundrums. The argument for enhanced state capacity to manage the complex implementation response that will facilitate achievement of the MDGs in this context, and for the United Nations system to respond in support to this need, has never been more compelling.

4. This paper will focus on ‘state capacity, within the broader context of national capacities’. It is not intended to take away from the broader remit of national capacities that the United Nations development system works with and supports – and which is the basis for the common approach of the

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<sup>1</sup> Operational activities for development: triennial comprehensive policy review of operational activities for the development of the United Nations system, 14 March 2008.

<sup>2</sup> [Accra Agenda for Action](#)

United Nations system to supporting capacity development – but to centre attention on the role and effectiveness of state capacities at the crossroads of the current global economic, food and climate-change crises. The term ‘state capacity’ is often used without embracing its full import, but is here defined as the ability to manage the business of executive, legislative and judiciary bodies towards human development ends. This scope captures the broad remit of state capacity, from how policies are made, to how services are delivered, to how fiscals are regulated, to how security is provided and justice is adjudicated, to how the rights of all people are protected. Countries around the world, are struggling to do these things well, and with speed and sustained results, in the face of complex challenges in the economic, environmental and social spheres today.

**5. The present paper makes the case for the harmonized role of the United Nations development system in systematic, sustained support to state institutions for capacity development in the following areas (detailed throughout and captured in specific terms at the end):**

- (a) Capacities to strengthen the economy and avoid contractionary economic impact, to regain business and consumer confidence, and to ensure the provision of public goods, social protection and other development benefits to the poorest;
- (b) Capacities for balancing and managing economic, social and environmental sustainability, as complementary and not as competing ends, through inclusive government;
- (c) Capacities for States to meet their obligations in the protection and promotion of human rights, including through efforts to achieve gender equality and to protect the most vulnerable, marginalized and socially excluded; and
- (d) Capacities for States to engage more fully in multilateralism and South-South collaboration for solutions to deliver, with mutual accountability, on the Millennium Development Goals and other internationally agreed goals and conventions.

**6. The paper poses questions for Executive Board consideration and guidance in this context.**

- (a) How can the *United Nations Development Group (UNDG)* better assist Member States to enhance the above state capacities in this period of economic and environmental flux, through common objectives and harmonized programme processes that focus on national capacity development strategies and initiatives?
- (b) How can *Member States* support the implementation of the TCPR and a harmonized UNDG response to capacity development that includes more predictable funding frameworks for longer-term support, targeted funding for capacity development initiatives, and harmonized United Nations rules and procedures aligned with national ownership principles and systems?

### **Scoping the state capacity development challenge**

7. Capacity ‘relevance’ in the present situation is the need to focus strategically on capacities for robust, accountable and transparent public institutions and their ability to safeguard and manage the limited public funds available during economic and financial crises, and to focus on sound planning, the regulation and management of resources, and participatory decision-making to address increasing social inequality and injustice. During an economic downturn the implementation of a sound development strategy will depend, quite critically, on the capabilities of the state to (a) advance and manage effective public administration; (b) re-prioritize and reallocate resources at the national and the subnational level; and (c) ensure that national policies and programmes translate local-level needs into tangible pro-poor actions at the local level.

8. In this context, the role of the state – while still being a direct provider and delivery agent for the poorest – must be to act as a strong catalyst and investor in the ‘social capital’ base of the country. The fundamental capacity needs of the state thus reflect the roles of facilitator, regulator

and financier. Investments in capacity are needed to ensure basic services, expand employment, protect the environment, empower citizens and safeguard their rights.

9. However, beset by diverse development challenges many countries, whether middle-income, least developed or post-crisis, face a depleting stock of human, financial and natural resources. So, even as we recognize the various needs of state capacity development at different stages of development, as the 2015 finish-line for achievement of the Millennium Development Goals approaches, the delivery of development has stalled in the aggregate. Even where state capacities have been or are being progressively developed they can be easily depleted by ‘shocks’ such as war, or economic or environmental crises. There is no one-size-fits-all approach to capacity development, making the challenge even greater. However, adaptation of the capacity development approach to local realities is necessary and achievable and is not an excuse for inaction or lack of harmonization.

## **UNDG responses – meeting our mandates**

10. Capacity development lies at the core of the United Nations development system mandate(s)<sup>3</sup>. The approach is to support overall national capacity in our mandate areas, while advocating for human development objectives and policy focus to meet those ends. Over time, the United Nations development system has supported national capacities through technical assistance, technical cooperation, targeted capacity-building and longer-term capacity development initiatives. Today, it is often a mix of these modalities, with an increasing focus on the latter.

11. The TCPR uses the term ‘capacity-building’ as well as ‘capacity development’.<sup>4</sup> Capacity-building focuses on constructing something where nothing existed before, or building from scratch, while capacity development, which can include capacity-building, extends it to deepening existing capacities, as well as retaining and motivating the capacity to perform effectively. Hence, the United Nations system views capacity-building as one possible response in a continuum of strengthening national capacities. While there is general consensus on this understanding, in any given country context there are different levels of capacity – national, sub-national, local – and various stages of development in different sectors that finally determine the capacity need and the capacity development response.

12. The UNDG adopted a common position, strategy and methodology with respect to capacity development in response to the 2005 and 2007 TCPRs ensuring a harmonized system-wide approach in so doing. An inter-agency task team on capacity development collaborated on the [UNDG position statement on capacity development](#), issued in December 2006, which outlined when and how United Nations country teams (UNCTs) can address capacity development in their support to national development. The UNDG position statement on capacity development provides the broad-brush outline of how UNCTs can address capacity development in their work, and the [UNDG capacity assessment methodology](#), issued in April 2008, provides the diagnostic methodology that underpins it. This common approach to capacity development is anchored in

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<sup>3</sup> Guided by TCPR 2007, capacity development constitutes the common thread in the strategic plans of UNDP, UNICEF, UNFPA and WFP, often defined as the core or overarching contribution of these funds and programmes. The primacy of this approach is reflected in the recent [UNDG statements for the Accra High Level Forum on Aid Effectiveness](#) and the [Doha International Follow-Up Conference](#), 2008.

<sup>4</sup> The Development Assistance Committee of the Organisation for Economic Co-operation and Development defines ‘capacity’ as the ability of people, organizations and society as a whole to manage their affairs successfully. ‘Capacity development’ is understood as the process whereby people, organizations and society as a whole unleash, strengthen, create, adapt and maintain capacity over time. *The Challenge of Capacity Development: Working towards Good Practice*, OECD/DAC, 2006.

national ownership, led by endogenous decision-making processes, framed by national development strategies and grounded in existing country capacities.

13. The United Nations contribution to strengthening state capacity lies primarily in cross-cutting interventions such as improving the functioning of national institutions through better organizational arrangements and implementation systems; ensuring sound legal, regulatory, and financing arrangements for local service delivery; investing in peoples' skills through education, training and continuous learning; creating opportunities for inclusive access to economic opportunity, knowledge and technologies in both public and private sectors; nurturing the strategic planning and management skills of government and civil society leaders; and ensuring that state-citizen accountability mechanisms work to meet human development needs.

14. Programme and project results have often not measured these as specific capacity development contributions over time, and reliance on them has evolved mainly due to case evidence. Today, there is an increasing effort to measure United Nations system contributions to national capacity development – and more specifically support to state capacity – through the introduction of results-based management, evaluative evidence and the common capacity development approach and capacity assessment methodology described above. Given its recent introduction, this will take a programme cycle to come into effect and to provide systematic insights and recording of results. In the meantime, UNCT support to state capacities across regions (see box below) provides key lessons that inform the design and delivery of suggested UNDG development assistance to meet capacity development challenges and point to more effective ways of measuring this contribution.

- The UNCT in Nigeria provided technical support to the national planning institutions specifically to develop a national strategy and plan for capacity development. This work is also under way in Bhutan, Rwanda, Sierra Leone and Timor-Leste.
- Several UNCTs, such as Cambodia, Madagascar, Moldova and Niger, supported the improvement of national statistical and monitoring capacities for better state management of development results.
- In Albania, the UNCT undertook a sector capacity assessment for the public sector, to identify key positions that qualified expatriate Albanians could fill through a 'brain gain' initiative.
- In Bangladesh, the UNCT carried out a national capacity needs assessment to address climate change, biodiversity and land, resulting in a capacity development action plan that was approved by the government for implementation.
- Capacities in participatory planning and monitoring systems have been strengthened in Bangladesh, Bhutan, Jordan and Tunisia to guide more efficient and effective development results.
- Effective implementation capacities are being facilitated in Malawi, Nepal, Serbia and Trinidad to ensure better local-to-national administration of basic services.
- Enhanced national aid and sector coordination mechanisms supported in Laos, Rwanda, Syria and Ukraine.
- State and civil society capacities for oversight and feedback on social and economic policy have been a focus in Indonesia, the Philippines and Tanzania.
- The UNDG remains engaged in difficult situations such as those in Afghanistan, the Democratic Republic of the Congo, Haiti, Kosovo, the Occupied Palestinian Territories and southern Sudan to provide the bridging capacities needed in times of crisis or transition, while investing in leadership and management programmes, training and learning, and institutional reforms to strengthen state capacities to take over.

15. The evaluative evidence compiled by the United Nations shows<sup>5</sup> that initial challenges to evaluating the impact of United Nations support to capacity development include the lack of a systematic approach and robust measures of capacity development 'success' in terms of impact on development outcomes, a clearly defined results chain, and appropriate output and outcome measures for evaluating impact. Evaluations have consistently recommended that the United Nations focus on supporting broad-based national ownership through sustainable institutional development and strategic partnerships with existing capacities. This requires clarity in assessing

<sup>5</sup> From the United Nations evaluation database.

what capacities need to be built and sustained to achieve shared development results. At the activity level, a quick synthesis shows that there is often little analysis of existing capacity and no monitoring and evaluation system to guide continued improvements in capacity development for more sustainable results. Evaluations also reveal a lack of sustained engagement with national systems and investment in their capacity improvements, as well as limited incentives<sup>6</sup> to engage in long-term capacity development support and team approaches to it.

16. The recent [evaluation of the UNDG Contribution to the Implementation of the Paris Declaration on Aid Effectiveness](#) conducted by the joint United Nations Evaluation Group showed that when responding to capacity needs, while alignment of United Nations programming with national priorities is strong, its alignment with national systems was found to be weak, and the extensive use of project implementation units continues to beset at least some United Nations organizations. This has long-term consequences for capacity strengthening and development effectiveness in the country. The evaluation recommended that the United Nations development system should place a higher priority on harmonization among its agencies, funds and programmes, and should increase, where relevant, the use of national systems for programme implementation. The evaluation also recommended a focus on strengthening national and subnational capacities for implementation, to include support to national coordination and monitoring and evaluation capacities to manage optimally for development results.

### **Moving forward with a harmonized approach to capacity development**

17. The United Nations development system must go beyond ‘training-as-first-response’ and expand its capacity development efforts to include greater support to leadership skills, institutional reform and incentives, diverse applications of knowledge and learning methods that match the skills in need of development, and state-citizen engagement and accountability processes that enhance societal capacities. These more comprehensive approaches are gradually emerging as better practice. The start is a participatory, objective capacity assessment, carried out with national partners based on their demands and needs, followed by the application of the common United Nations system approach to capacity development, in collaboration with national partners from diagnostic through to evaluation.

18. While the United Nations system has become better at using national plans and outcomes to frame its role in support of national capacity development, this needs to cascade to programme and project levels in a more consistent and measurable manner. The results of capacity development must be demonstrated by showing the contribution that the resulting national capacity makes to development effectiveness. This is not easy to do as the causal links are not self-evident and often involve a complex mix of factors. However, if there is no strategic intent to develop capacity, it becomes difficult to motivate either country partners or the UNCTs to support capacity development initiatives and be measured by their results. The ultimate measure of effective, relevant capacity development support from the United Nations development system is the extent to which national ownership translates into effective leadership, implementing pro-poor policies and inclusive governance to promote human development results over the long term. This requires both a long-term results time frame and robust measures link to such a results chain based on causal evidence amidst complex contributory factors.

19. To engage in successful, sustainable capacity development initiatives, the United Nations development system cannot be driven by a dash towards year-end resource and delivery targets. Established, adequately resourced multi-year funding frameworks, strategic planning and reviews, captured by results-based management systems, must allow for and encourage a longer-term

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<sup>6</sup> Given the focus on what motivates and retains capacity to work effectively, increasing attention is being paid to incentives. The issue of incentives was formerly addressed in a narrow way (per diems, salary supplements and the like); today’s more comprehensive approach includes monetary incentives as well as non-monetary mechanisms that help promote change in the behaviour of the public service to ensure and sustain efficient, effective and accessible services to its poorest clients.

perspective to contribute to required state capacity development – and then to capture that contribution through capacity development indicators of success. Internally, about the issue is not merely a change of systems. The necessary staff competence constitutes a mix of technical skills with a high degree of understanding of the change process and ability to support country-owned strategies during periods of transformation. The more collaborative United Nations system-wide efforts, and those teamed with other development partners, foster such a mix of competencies towards capacity development support.

20. In crisis and post-conflict situations, special attention should be paid to prioritizing investments in basic state capacity, ensuring some short-term gains within a longer-term planning horizon. The United Nations system must act quickly to maximize peacebuilding ‘windows of opportunity’ for supporting capacity development to facilitate a rapid yet stable move into the transition period and then into longer-term development. This includes helping governments to create the conditions and incentives for maintaining and/or attracting back national capacity. A technical fix alone – although often required in the immediate term – is often not the optimal or sustainable remedy. The necessary management elements, incentives, knowledge and values considerations underpin more sustained change to make results hold over time. Again, the United Nations system coming together in this effort allows for the mix of technical capacities with functional capabilities that is often required to address the national capacity constraint.

21. The United Nations system must focus more systematically on the South-South sharing of capacity and the facilitation of South-South solutions to capacity development challenges. There already exist many good and successful examples of South-South cooperation in capacity development which has been mediated through the work of the United Nations system. The effective, visible use of the United Nations platform across countries and regions is essential in this regard, and is clearly articulated in the TCPR as a ‘value-added’ role for the United Nations.

22. The recent challenges have served to highlight different aspects of state capacities that will require priority attention and harmonized support from the United Nations development system. The introduction refers to broad areas for concentrated attention, and the paper makes the case for these. It concludes by synthesizing more specifically what this capacity development focus entails, set forth below for consideration.

- (a) Capacity to manage the national and local economy in the context of an economic slowdown and environmental shocks, including national capacity to negotiate, coordinate and manage domestic and foreign financing for development;
- (b) Strengthening civil service learning, performance management and incentive structures, for enhanced strategic planning, policy analysis, risk assessment and results-based management;
- (c) State capacities to advocate and implement policy, regulations and programmes that support a green economy, using the period of crisis as an opportunity to ‘clean up’ – capacities to adapt, use clean technology and the right incentives to ensure a sustainable approach to future growth;
- (d) Capacity to address inequalities and societal disparities through social justice, and social protection efforts, with local development that distributes public goods and other development benefits to the poorest, encourages a savings approach and ensures a rights-based approach to development;
- (e) Strengthening capacities of local institutions, particularly local government and service delivery bodies, to engage in public-private-civil society partnerships for economic and social development opportunity, managing disaster response, and service delivery;
- (f) Supporting state-civil society-development partner mutual accountability and feedback mechanisms with respect to development finance and results, at national and local levels;
- (g) Augmenting the capacity of state institutions to engage in active multilateralism and enhanced South-South solutions through facilitation of engagement at global and regional forums, contribution of analysis and policy options to consider in multilateral deliberations and negotiations, strengthening of organizational arrangements to manage and oversee own

development cooperation efforts and trilateral cooperation, and facilitation of knowledge exchanges and communities of practice.

23. The UNCT presence, accessible and multi-dimensional, is an asset that a country can draw on to strengthen its existing capacity assets base and bring in those capacities it has been drained of or needs to build up when faced with compound challenges or transition. The expertise mix available to the United Nations system, as well as its staying power over the long term, makes it a partner of optimal choice to support the long-term nature of national capacity development. Being present both at community and national levels provides a bridge that a collective United Nations system effort brings. The UNCT is also able to facilitate, on impartial grounds, the multi-stakeholder dialogue, diagnostics and actions that can maximize existing capacity assets and draw on global and regional good practice, expertise and evidence. Credible and jointly developed (with national partners) capacity development initiatives can be the key building block for an effective value-added partnership between the United Nations development system and national governments in the years to come.

### **Annex. Country actions – the Indonesian experience**

24. The Jakarta Commitments on *Aid for Development Effectiveness* proposed by the Government of Indonesia take the principles and directions of the Paris Declaration (2005) and the Accra Agenda for Action (2008) and apply them to the context of a middle-income country facing new challenges and opportunities. The Jakarta Commitments are a call to maximize the impact of the country's own efforts by investing in and mobilizing the capacities of its people, leadership and institutions, with catalytic and strategic support from development aid partners, to enhance the development effectiveness of national and local programmes. The United Nations has played a key role in supporting the Indonesian Government in developing the Jakarta Commitment, and is poised to continue this support during the implementation phase by focusing on the strengthening of state capacities as identified with national partners.

25. Key areas for capacity development reflect the evolving needs of the country, which on the one hand demonstrates considerable progress in economic and social development, but on the other continues to face a significant capacity gap, pushed by development disparities and vulnerabilities among regions and population groups. With support from the United Nation, a systematic assessment of existing national and local capacities is part of the national 'road map' towards implementing the Jakarta Commitments, which link capacity development with other key components of the strategy, such as improved quality of the development planning process, results-based monitoring and evaluation of national and local programmes, and robust, transparent implementation systems at the central and local levels. This strategy emphasizes the need for an integrated approach to capacity development, ranging from technical capacities for policy planning and building effective local institutions and regulatory frameworks in key sectors, to functional capacities for implementing and evaluating development programmes effectively.

26. Capacity development needs have become more evident and are evolving fast in the face of the global financial and economic crises and climate change factors, affecting the sustainable growth of Indonesia. Roughly 10 years after Indonesia embarked on the '*musrenbang* process' ('big-bang' decentralization), experiences point to impressive successes as well as lessons that call for adjustments to be made to the policy and its implementation. The roles and responsibilities of subnational governments, especially at the provincial level, need to be defined more clearly and supported with enhanced capacities to address local development, including natural resources management. Key functional capacity challenges lie in linking planning to implementation, as well as the capacities to provide guidance and performance oversight to lower-level government. Participatory planning mechanisms need to include the monitoring of implementation of development programmes with the full engagement of civil society. Positive, innovative experiences that emerge in some districts and regions are being analysed and communicated for replication in other places, requiring stronger capacity for knowledge capture and sharing.

27. The Government of Indonesia, with the support of the UNCT, is working to address these capacity needs and has asked development partners to align their support more closely with these specific capacity development priorities, particularly at the subnational level. A good example of a harmonized approach to capacity development at work can be seen in Aceh province. Four years after the Indian Ocean tsunami and three years after the Helsinki Peace Agreement, Aceh is undergoing a transition that will determine its long-term prospects for peace, stability and human development. The United Nations system is working together to help develop the capacity of the provincial and local governments in Aceh to make sure it can efficiently assume the responsibilities, functions and assets it will inherit from the Aceh Reconstruction Agency when its mandate terminates in 2009, as well as longer-term improvements to the quality of social service delivery and rejuvenation of key economic sectors such as agriculture, fisheries, and tourism. While a larger volume of financial resources is being directed to districts, questions arise unless the safety net of the National Programme for Self-help Community Empowerment is adequately planned for and development investments are sustainable beyond the immediate physical infrastructure requirements, to meet long-term nutrition, health and education needs locally.

28. Indonesia is taking steps towards becoming an important source of South-South solutions. For example, its early-warning system for natural disasters, established as part of the response to the tsunami tragedy, is being recognized as a 'best practice' in the region and beyond. The Bali Conference on Climate Change has given impetus to the development of a national climate change strategy and has transformed the institutional mechanisms required to implement such a strategy. This has stimulated the integration of national efforts into broader international efforts, including the United Nations programme to reduce emissions from deforestation and degradation. With ongoing support from the UNCT, South-South ties are being established between Indonesia and other countries in the areas of local development (Sri Lanka); population issues including the 2010 census (China, South Africa, Thailand and Timor-Leste); parliamentary reform (Timor-Leste, Turkey); aid effectiveness (Bangladesh, Cambodia, Lao People's Democratic Republic, Papua New Guinea and Singapore); private-public partnerships (Bhutan, India and the Philippines); reproductive health and commodity security (Bangladesh, Ethiopia, Papua New Guinea and Timor-Leste), legal empowerment of the poor (Thailand, Philippines); and others.

29. While these developments are promising, effective responses to regional and global challenges would require Indonesia to continue strengthening its capacities for effective leadership, knowledge networking and policy dialogue in contributing ever more to international collaboration and South-South solutions. The critical test of support to strengthening relevant state capacities would be if such capacities could translate strategic directions into relevant, effective and sustainable development results and partnerships, so that Indonesia could meet and surpass its Millennium Development Goals targets at the national and local levels.